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Martin Feldstein
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bids a poison pill?
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FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY AUGUST 4 1994

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Akzo Nobel beats forecasts with net profit gain of 33%

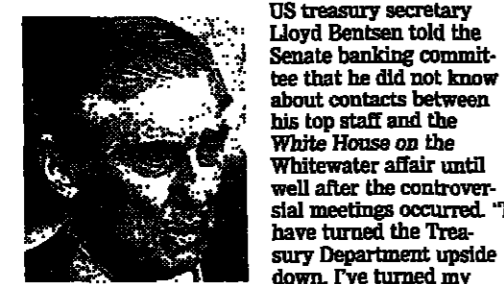
Economic recovery in Europe helped Akzo Nobel, the Dutch-based chemicals group, to lift net profit by nearly 33 per cent in the second quarter, exceeding analyst forecasts.

The company, which said the results were better than it had expected, attributed part of the gains to synergy created by Akzo's acquisition last year of Nobel, the Swedish chemicals and coatings group. Page 13

S.G. Warburg settled a "dealing dispute" between itself and Swiss Bank by agreeing to make a charitable donation on Swiss Bank's behalf. Page 13; Lex, Page 12

Berlusconi gains breathing space: Silvio Berlusconi, Italy's prime minister, has gained an essential breathing space for his embattled government in the wake of Tuesday's parliamentary debate on the conflict of interest with his Fininvest media empire. Page 2

Bentzen appears before bank committee: US treasury secretary Lloyd Bentsen told the Senate banking committee that he did not know about contacts between his top staff and the White House on the Whitewater affair until well after the controversial meetings occurred. "I have turned the Treasury Department upside down. I've turned my memory inside out," Bentzen said. "We went through thousands and thousands of documents and can't find one written briefing to me on these White House meetings." Page 4



Gibraltar attorney-general quits: The attorney-general of Gibraltar, Mr John Blackburn Gittings, has resigned following a difference of views with the governor, Field Marshall Sir John Chapple.

New life for French reactor: France's Superphénix, built as the world's largest fast breeder reactor to produce electricity, is to start a new life as a centre of research into the burning of plutonium and nuclear waste. Page 2

Fresh 'tuna war' threatened: Spanish fishermen threatened to re-ignite a "tuna war" and block ports after European Commission inspectors found British boats fishing with oversized nets off the Galician coast.

Terrorists bomb N Ireland base: Three British soldiers were injured when suspected IRA terrorists fired a mortar bomb at a police and army base in Northern Ireland.

Bayrische Vereinsbank, the Bavarian banking group, announced that its first-half operating profits rose 8.7 per cent to DM574m (\$366m) from the first six months of last year, despite losses on own-account trading and sharply increased capital spending. Page 13

BCCI executive jailed: Munir Imam, a former accounts executive of the Bank of Credit and Commerce International, was jailed for three years by a British court despite unprecedented pleas for clemency from US prosecuting authorities. Page 5

UK to decide on new aircraft: The UK Ministry of Defence indicated that it would take the final decision on whether Britain would buy the US Hercules or the European Future Large Aircraft as a replacement for the Royal Air Force's ageing transport fleet. Page 12

US economic growth slows: The US index of leading indicators rose by a modest 0.2 per cent in June, the latest sign that economic growth is slowing. Page 4

Harrisons & Crossfield, the British industrial conglomerate, voiced concern over prospects for the UK housing market as it unveiled a better than expected 24 per cent rise in interim profits to £59.9m (\$92.8m). Page 13; Editorial Comment, Page 11; Lex, Page 12

Westland, the UK helicopter manufacturer, yesterday settled a 14-year legal battle with the Arab Organisation for Industrialisation. Page 13

India parliament boycott: The opposition in India boycotted both chambers of their parliament after party leaders carried out a decision to take politics "to the streets". Page 3

More embassies to use Rolle-Royce: The British foreign office has increased from five to nine the number of embassies allowed to use the Rolle-Royce car.

STOCK MARKET INDICES			
FT-SE 100	3,180.4	(+2.8)	
Yield	3.97		
FT-SE Euroshare 100	1,815.07	(+0.99)	
FT-SE-Air Share	1,578.21	(+0.25)	
Nikkei	20,532.73	(-27.40)	
New York S&P 500	3,784.25	(-11.97)	
S&P Composite	400.38	(-0.29)	
US LUNTIME RATES			
Federal Funds	4.5%		
3-mo T-bill	4.43%		
Long Bond	7.41%		
LONDON MONEY			
3-mo Interbank	5.12%	(same)	
Libor 3m	5.12%	(same)	
NORTH SEA OIL (August)			
Brent 15-day (Sep)	\$18.51	(same)	
GOLD			
New York Comex (Dec)	\$383.1	(384.4)	
London	\$378.7	(380.45)	
STERLING			
New York Exchange	\$ 1.538		
London	\$ 1.539	(1.5398)	
DM	2.4317	(2.4346)	
FF	8.3107	(8.3207)	
Sfr	2.854	(2.8524)	
Y	154.286	(154.594)	
E index	79.3	(same)	
DOLLAR			
New York Exchange	DM 1.58125		
DM	5.4087		
Sfr	1.3355		
Y	100.80		
London	DM 1.5792	(1.5814)	
FF	5.3969	(5.4049)	
Sfr	1.3339	(1.3338)	
Y	100.175	(100.415)	
E index	63.5	(63.5)	
New York Comex (Dec)	\$383.1	(384.4)	
London	\$378.7	(380.45)	
Tokyo Close	¥ 100.33		

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LONDON • PARIS • FRANKFURT • NEW YORK • TOKYO

Ricoh accuses Samsung over facsimile patents

By Michio Nakamoto in Tokyo

Two Asian electronics companies are battling over the rights to the technology behind the facsimile machine record slips which enable users to keep track of pages sent and the numbers to which pages are transmitted.

Many users discard the record slips, but the use of the "administrative data" technology has prompted Ricoh, the Japanese office equipment maker, to file a complaint with the US International Trade Commission against Samsung Electronics, charging the Korean com-

pany with patent infringement and claiming unspecified damages.

Ricoh contends that Samsung has infringed two facsimile patents and has asked the ITC to prohibit Samsung from importing, marketing, demonstrating, distributing or selling in the US, fax machines that infringe the patents. Most fax machine makers pay royalties to use the Ricoh technology under licence.

Ricoh said yesterday it was forced to take action against Samsung after repeated negotiations over several years had failed to result in a satisfactory agreement. The Japanese company has

filed a complaint with the ITC and the New Jersey district court seeking a permanent injunction against Samsung and claiming damages.

The move by Ricoh illustrates the growing friction between Japanese and Korean companies in international markets, especially in areas where the Japanese have long been market leaders. The two countries agreed last December to resume co-operation on patent processing issues, after a gap of seven years following complaints that Korean companies were infringing on patents.

Japanese electronics makers have dominated the facsimile market, which last year was worth ¥355bn (\$3.55bn) in the Japanese market alone, according to the Electronic Industries Association of Japan. However, Korean and Taiwanese manufacturers have increasingly eaten into the Japanese share, particularly at the lower end of the market for thermal paper faxes where there is little difference between machines.

Ricoh, which also has the largest share of the Japanese market, sold 2.3m fax machines in the US last year, according to BIS Strategic Decisions, a high technology consultancy, which fore-

cast the number would rise to 3.9m in 1998.

Ms Debra Waggoner of the American Electronics Association said yesterday: "For the electronics industry, protection of intellectual property rights is crucial." She said that the US industry had been getting "signals" from Japanese companies that they were "going to be more pro-active in protecting their rights".

Japanese dominance is also being threatened by the impact of a high yen. Exports fell 13 per cent in 1993 from the previous year, according to the EIAJ.

Bid to force release of opposition leader

Lagos comes to a halt as strikers challenge regime

By Paul Adams in Lagos

Government offices, banks and factories in Nigeria's biggest city, Lagos, were deserted yesterday on the first day of an indefinite general strike called to force the military government to release the detained opposition leader, Mr Moshood Abiola.

There were outbreaks of violence in the city, as police attempted to dismantle barricades and disperse protesters. Three people were reported killed.

In Abuja, the capital, the trial of Mr Abiola, the unofficial winner of last year's presidential election, was adjourned again, this time until August 15. He is being tried for treason after he declared himself president on June 12, the anniversary of last year's vote.

The judge said he needed time to decide whether his court had jurisdiction. At last week's hearing, the prosecution was forced to admit that it lied to the court when denying that it had received the defence's petition.

As the prosecution case falters, Gen Sani Abacha's government seems unsure how to end the

deadlock. It appears to have rejected a strategy whereby Mr Abiola could be released and installed as head of a government of national unity.

Mr Abiola's family, who are allowed access to him in detention in Abuja, say that he has twice refused release on condition that he keep silent about claims to the presidency.

Support for the strike is strongest in the south-west, where members of Mr Abiola's Yoruba tribe see a chance to wrest political power from the north Hausas and Fulanis who have dominated government. Northern branches of the National Labour Congress are disregarding the strike, which they say is not in the national interest.

The shutdown has completed a process begun over a month ago. A combination of fuel shortages, lack of transport, and earlier political strikes have been gradually bringing the commercial capital of Lagos to a halt.

People going to work risk intimidation from street gangs or being caught in sporadic violence, as anti-government protesters become more mobile to elude armed police. A strike by

air traffic controllers, and lack of aviation fuel in the south, has grounded domestic flights but military air traffic controllers have kept the international airport open.

Labour representatives are due to hold talks with the military government today. Central to discussions will be the disruption to oil production, which is down by at least 30 per cent.

The oil workers, who went on strike a month ago, say the release of Mr Abiola will not get them back to work. They want the regime to make way for elected civilian rule. And they want it to pay arrears to the oil companies, estimated at \$900m, which have led to job losses and recession in the industry.

"Abiola's following is growing among people who were marginalised," a businessman from the eastern city of Port Harcourt said yesterday. "Some do not like to see a big man brought low, and others feel a sense of outrage at the government which has far less mandate to rule than he has. But people are also impressed that Abiola is going through a spell in jail and is not doing it just for himself."

Rumours work all year round in Brussels

By Emma Tucker in Brussels

If there is one thing continental Europeans can teach their British colleagues, it is the importance of *les grandes occasions*.

On August 1 somebody pulls a plug in Europe's administrative centre. Overnight Brussels empties: the concept of staggered holidays scathingly dismissed by officials, restaurants, lobbyists and translators.

Even the tramp who plays an electric organ outside the city's main metro station has taken his leave for the month.

All that are left are a duty press officer, a duty commissioner, and a few hard-working officials - mainly from the competition directorate who have to be here when merger cases are notified.

"It's as if there is a big party somewhere else to which I have not been invited," said a senior competition official yesterday.

This time, though, some of the hard core left behind believe colleagues settling down on Mediterranean beaches to read the latest Brussels-based thriller - *Cartel*, by Derek Fee - may be missing the action.

With a new president - Mr Jacques Santer, the Luxembourg prime minister - due to take office in four months, and a

Paris seeks tighter security for staff in Algiers after deaths

By David Buchanan in Paris

France sent its foreign and defence ministers to Algiers yesterday and foreshadowed tighter security for embassy staff following the killing of five French gendarmes and consular officials in the Algerian capital.

Mr Alain Juppé, the foreign minister, and Mr Francois Léotard, the defence minister, flew to Algiers to pay homage to the victims, shot early yesterday by terrorists who were trying to drive a car bomb past a French school and into a housing complex where many French officials personnel live. The car bomb was later defused.

The incident brings to 15 the number of French, and to more than 80 the number of foreigners, killed by Islamic fundamentalists contesting the Algerian government's suspension of elections two years ago which the now outlawed Islamic Salvation Front (FIS) was poised to win. Since last autumn, the fundamentalists' hardline factions have targeted foreigners as a means of bringing international pressure to bear on the authorities.

Before leaving for Algiers, Mr Léotard said he would see what could be done to "improve protection". He explained that yesterday's attack had taken place during the changing of the guard of the gendarmes guard at the school and that three gendarmes had

been killed and a fourth wounded, in addition to two consular officials killed.

The French foreign ministry issued a statement calling on the Algerian authorities to guard the French community better and to hunt down yesterday's killers as well as reiterating the warning for all French to stay away from Algeria. There are believed to be some 2,000 French nationals as well as a much larger number of dual passport holders in the former French colony.

The foreign ministry statement said: "France condemns this new barbarian act against the very people it had decided to keep in Algeria to ensure its presence".

Fearing a worse alternative in the creation of an Islamic theocracy, France has so far given reluctant and partial backing to the current Algerian regime. Paris has called for the government to open a dialogue with moderate Islamic groups, while taking the lead in organising international aid for Algeria.

After helping to mobilise an International Monetary Fund credit and debt rescheduling with the Paris club, France last month gave Algeria another FF6bn (\$1.1bn) export credit. But yesterday's killings are an unwelcome reminder to Mr Juppé of the truth of his recent remark that the present situation is not tenable.



Hot reception: Tang Shubai (left), China's chief Taiwan negotiator, narrowly escapes being pelted with eggs by independence activists chanting 'Chinese handbills go home' on his arrival at Taipei's international airport yesterday for four days of talks beginning today with his Taiwanese counterpart, Chiao Jen-ha. The demonstrators also burned People's Republic of China flags, but Mr Tang, the most senior Chinese official to set foot on what Beijing regards as a renegade island province, also missed a crowd of supporters who had come to welcome him when he was whisked out of the airport through a secret exit. Report, Page 12

Irish PM criticised over beef exports

By John McManus in Dublin

Ireland's coalition government came under pressure yesterday following criticism of Mr Albert Reynolds, the prime minister and former industry and commerce minister, for his decision to grant more than £120m (\$151m) in credit insurance for beef exports to Iraq six years ago.

Following publication of a long-awaited official report into the affair earlier this week, Mr Dick Spring, the deputy prime minister and Labour party leader, described Mr Reynolds's actions as a "major failure of public policy".

The report has further strained relations between Mr Reynolds's Fianna Fail and Labour, the junior government partner, already at odds over Northern Ireland and over a labour dispute at TEAM Aer Lingus, the maintenance arm of the Irish airline.

As industry and commerce minister, Mr Reynolds approved export credit guarantees to the Goodman Group, Ireland's biggest beef processor and exporter, for meat exports to Iraq. The credits were granted between 1987 and 1993.

A tribunal to investigate a raft of allegations against Goodman Group was set up in May 1991, before the Labour-Fianna Fail coalition government was formed in 1992.

The report of the beef tribunal concluded that Irish taxpayers were exposed to a potential liability of more than £120m as a

Continued on Page 12

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NEWS: EUROPE

Berlusconi gains a breathing space

By Robert Graham in Rome

Mr Silvio Berlusconi, the Italian prime minister, has gained an essential breathing space for his embattled government in the wake of Tuesday's parliamentary debate on the conflict of interest with his Fininvest media empire.

This was the majority view among political commentators yesterday as they analysed the impact of Mr Berlusconi's most difficult parliamentary performance at the close of his first 100 days in office.

The debate showed the opposition had no wish to bring the government down and that, for the time being, there was no alternative to the right-wing coalition. Mr Berlusconi thus has a chance to recover his strength during the summer break and to prepare for what is likely to be a "hot autumn".

During the four-hour debate, which went on late into the night, Mr Berlusconi made clear his determination to resolve the increasingly prob-

lematic conflict of interest between his role as prime minister and his ownership of Fininvest, Italy's second largest private group. But it was also evident that the problem is so complex that it can be solved neither quickly nor easily.

Mr Berlusconi backtracked on the proposals he made only last Friday to avoid a conflict of interest, declaring himself willing to accept any reasonable solution. This means his idea of a five person commission to monitor the conflict of interest could be scrapped.

Mr Umberto Bossi, leader of the populist Northern League, failed to come up with his much-promised counter proposals. However, he said the League would have concrete details soon based on a two-stage separation of Mr Berlusconi from Fininvest. The first step would be to separate him from his proprietary interest, the next to place such interests in a US-style blind trust.

The opposition claimed there was no option but to sell Fin-

invest, especially the commercial television interests. But again no details were provided. Mr Berlusconi himself, still willing to be flexible, while seems to draw the line at selling his stake in a group he created from nothing in 30 years.

The conflict of interest was only one aspect of the debate. Mr Berlusconi used the occasion to appeal to his electorate, via live television coverage, reassuring them of the government's stability and that the economic recovery was gathering pace.

At another level, the debate proved a predictable contest, with each player laying down markers for battle in the autumn. Mr Bossi showed he will be Mr Berlusconi's most redoubtable opponent and difficult ally. The final words of his speech, which time rules prevented him from saying, were: "You are free to do what you want, but it must be very clear - this cannot be against the interests of the country."



How the cartoonist Chiappori saw the affair in yesterday's *Corriere della Sera*: "...so, if I have to choose an impartial administrator for Fininvest, I prefer to choose him at the highest level. ... I am ready to place Fininvest in the hands of God!"

Zurich's services sector gets back to basics

By Ian Rodger in Zurich

Zurich has long prided itself on providing the finest and safest in banking and shopping for the world's rich. So the city may be able to offer them similarly trustworthy services of a more traditional kind. Zurich is about to get its first brothel.

An application has been lodged with city authorities seeking to change the use of a building in Allmendstrasse to "erotic services, a brothel from offices and shops" (erotische Dienstleistung, Bordell anstelle von Büro- und Geschäften).

The detailed plans call for the creation of 12 apartments (Arbeitsplätze) to be rented to prostitutes individually, administration and medical rooms and a "contact and recreation room".

This is not a joke, but a well meaning and, of course, typically practical and commercial, Swiss response to a recent change in the law which decriminalises prostitution in some circumstances.

The project is the brainchild of Mr Valentin Landmann, a colourful Zurich lawyer who has fought for years to legalise prostitution. Mr Landmann's view is that the power of pimps over prostitutes can only be removed if women are allowed to practise the oldest profession freely.

The Swiss federal government appeared to come to a similar view two years ago, altering the criminal code article dealing with prostitution so that each canton could determine in what circumstances it was a criminal offence.

This has left the situation uncertain in Zurich, and Mr Landmann takes the view that if a prostitute practices her trade of her own free will, it cannot be a criminal offence.

He and Mr Irwin Herren, the builder behind the project, plan to rent the rooms directly on a daily or weekly basis, attached by the environmentalists as condoning the large scale speculative development that has blighted many municipal suburbs. If the scope of the pardon is reduced as result of these protests, the government faces the difficult task of finding replacement revenue.

German jobless said to hit 3.7m

German unemployment surged by 100,000 to around 3.7m last month, after easing slightly in June, according to a senior official from the federal labour office. Ms Ursula Engelken-Kafer, chairman of the labour office board, pre-empted today's release of official figures with a claim that numbers out of work in the west had risen almost 19 per cent this year. The jobs total in the east was 8 per cent higher, she said. Ms Engelken-Kafer, also a board member at the DGB trades union federation, was apparently attempting to overshadow more optimistic statements from the office's president, Mr Bernhard Jagoda. He said earlier that the annual average jobless rate in the west this year could turn out to be less than 2.6m, compared with the office's official forecast of 2.67m. German jobless figures usually increase at the start of the holiday period, when large parts of industry fall into the *Sommerloch* or "summer hole". Last July the recession and the seasonal downturn combined to increase unemployment by 180,000.

West German chemicals companies increased their turnover by 4 per cent to more than DM83bn (£34.2bn) in the first half of the year, the VCI industry association said yesterday. Incoming orders showed strong demand, which led the recovery, was continuing to rise, while domestic bookings were an increasingly important factor. However, the association warned that prices were still unsatisfactory - down an by an overall average of 0.1 per cent in the first half - and further structural changes and job losses were unavoidable. *Christopher Parkes, Frankfurt*

Bosnian Serbs reject peace plan

Bosnian Serb leaders again rejected the international peace plan yesterday, bristling at the prospect of a referendum. The self-styled Bosnian Serb assembly was expected to follow the recommendation of the leaders in a meeting late yesterday evening. However, a leading Bosnian Serb leader said there was likely to be a referendum on the peace plan. Velibor Ostojic said: "Only the people can give the final verdict on such an important question. This question cannot be answered by the president himself [Bosnian Serb leader Radovan Karadzic] but exclusively by the people." Yesterday's announcement coincided with increased fighting around Sarajevo, emphasising that the Bosnian Serbs are in no mood to back down. Final rejection could put Bosnian Serbs on a collision course with the Serbian government, which on Tuesday threatened to cut off all aid to its kinsmen in Bosnia. Serbia is widely blamed for inciting the Serb rebellion in Bosnia more than two years ago, but has been suffering under UN-imposed economic sanctions for its role in the conflict. *Agencies, Bosnia*

Federal investment increased

Federal investment in German states will increase next year by DM10bn to DM74.4bn (£30.7bn), most of which is earmarked for the five eastern states, Mr Jürgen Echtermann, state secretary at the finance ministry, said yesterday. Of the extra DM10bn, over DM6.6bn will be used as subsidies, financial incentives and support for the private sector and other investment projects. The remaining DM3.4bn will be allocated to the Treuhand privatisation agency. However, Mr Echtermann warned that overall public subsidies next year would decline by 10 per cent to DM19bn. *Judy Dempsey, Berlin*

Expelled Kurdish MPs on trial

Six former Kurdish deputies ousted from Turkey's parliament for supporting Kurdish separatism went on trial yesterday on charges of treason. Mr Hatip Dicle, the chairman of the now banned pro-Kurdish Democracy Party (DP), Mr Ahmet Turk, Mr Orhan Dogan, Mr Sirt Sahit, Mr Mahmut Alinak and Ms Leyla Zana, have been in jail since March. The indictment was supported with video cassettes showing the former deputies at rallies organised by the Kurdish guerrilla organisation, the Kurdistan Workers Party (PKK), and tapes of telephone conversations with the PKK's fugitive leader Mr Abdullah Ocalan. A Turkish military spokesman said Turkish warplanes have struck rebel Kurdish targets in northern Iraq twice since Sunday, killing at least 150 guerrillas. *Agencies, Ankara*

Swedish spy returns home

There was an unexpected twist to Sweden's most notorious Cold War spy scandal yesterday when Stig Bergling, who served as a double agent for the Soviet Union in the 1970s, returned home and gave himself up. Bergling was convicted of spying for Moscow after the war, and sentenced to life imprisonment but escaped to Finland in 1987 during an unsupervised conjugal visit to his wife. Bergling had been recruited to the security police despite warnings from colleagues that he was unreliable. He was caught after Israeli intelligence services arrested him during a visit to Tel Aviv in 1979. He and his wife were said yesterday to have returned chiefly to resume contact with their children. He informed the government in advance, but officials denied any deal had been struck. Mr Carl Bildt, the prime minister, said Bergling would serve out his prison sentence. *Hugh Carnegie, Stockholm*

Court backs consumer rights

A Moscow municipal court yesterday delivered the first legal blow in post-communist Russia for consumer rights. In a sign that Russia is gradually adopting the "customer is always right" philosophy of capitalism, the court awarded Mr P Gusev 2,818m roubles (£374) for a faulty video camera. The store involved, Kvikk, had suggested he have it repaired at his own expense, arguing that the warranty had run out. They also challenged his claim that he had purchased the machine at their shop. However, the court found in Mr Gusev's favour and ordered Kvikk to pay Mr Gusev the current price for the video camera (Russian inflation means it has increased by 220,000 roubles since January), legal fees and moral damages. *Christina Frelund, Moscow*

ECONOMIC WATCH

Spain trims benchmark rate

The Bank of Spain yesterday trimmed its benchmark intervention rate to 7.35 per cent from 7.50 per cent, its first cut since May 13. The markets believe a further cut can be expected in September if the July CPI figures, due in the middle of this month, show that inflation is continuing its downward trend. The Bank has room to manoeuvre because the peseta remains stable, underlying inflation is at an historic low of 4.4 per cent year-on-year, domestic demand remains flat and most wage increases have kept to around 3 per cent. The research department of Banco Central Hispano (BCH) estimates that GDP has grown by 2.6 per cent in the first five months of this year and that it will show 2 per cent growth overall in 1994. The forecast compares with the government's estimate of 1.3 per cent in December. Tom Burns, Madrid

The number of corporate bankruptcies in west Germany rose 21 per cent to 6,000 in the first five months of the year, the federal statistics office said yesterday. A further 1,238 companies collapsed in the east. *Christopher Parkes, Frankfurt*

Spain's budget deficit fell by 2.8 per cent during the first seven months of this year compared to the same 1993 period, economy minister Pedro Solbes said yesterday. "The total deficit [to July 31] is 1,378 trillion pesetas compared to 1,782 trillion pesetas in the same period last year," he said.

Bank airs its doubts on the budget

For the second year in a row the Bank of Italy finds itself in the uncomfortable position of casting judgment on economic policies formulated by one of its own who has passed over to the government.

First, it was the policies of a former governor, Mr Carlo Azeglio Ciampi, who became prime minister. Now, it is Mr Lamberto Dini, the bank's former director-general, who has been treasury minister since May, and is the key figure in the Berlusconi government's economic team.

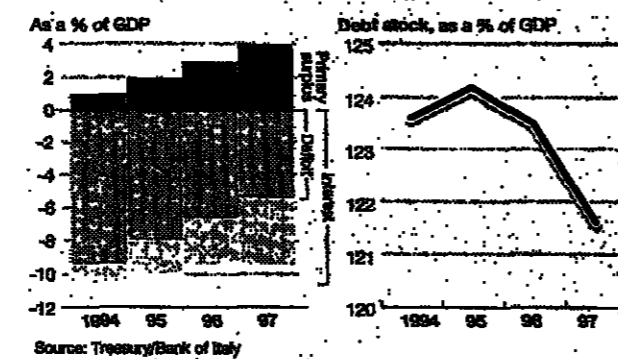
In neither case can the bank be accused of being too soft. The underlying theme has been to hammer home the dangers of failing to tackle with sufficient energy the problem of Italy's public finances. This was evident this week when Mr Antonio Fazio, the bank's governor, appeared before parliament to comment on the outlines of the 1995 budget and the macroeconomic framework for 1995-1997.

The government, he said, had inherited a budget deficit far greater than originally projected despite interest rates falling more than expected. But, having got in this little dig at Mr Ciampi, he then made several telling observations, which, despite the measured language, could be interpreted as a friendly warning.

The first related specifically to the 1995 budget which seeks to hold the deficit down to 0.4 per cent of gross domestic product, relying on a mix of spending cuts and revenue raising measures. Mr Fazio did not quarrel with Mr Dini's aim to find L45,000bn (£18.5bn) in extra funds next year - an ambitious target for any Italian government. However, he

Governor Fazio has no quarrel with spending cuts, but wonders if they will bring the expected savings, writes Robert Graham

Italy: budget projections



Source: Treasury/Bank of Italy

voiced concern that the spending cuts would not produce the required sums and that too much of the new revenue was coming from one-off measures.

This was not just a reference to the unresolved dispute between the government and the unions over the extent of cuts in Italy's generous state-run pensions scheme. It also raised a question mark over cuts proposed in health care and hospital management. At the same time he noted that the government had yet to make any provision for the recent constitutional court decision ordering back-payments on pensions totalling more than L30,000bn.

On the revenue side, Mr Fazio appeared anxious about the way the government was planning to raise money through temporary measures rather than create sustained

sources of funding. The main source of L18,000bn in new revenue will be a tax amnesty and a pardon on illegal buildings. Similar measures in the past have tended to yield less than expected.

He also implicitly questioned whether the government was right in its determination to avoid increasing the fiscal pressure. He pointed out that it remained below that of France and Germany "and other countries which have the same pattern of public sector expenditure as Italy".

More generally, he observed: "The experience of the past five years shows just how costly it has been continuously missing the targets; likewise, it has shown that adopting one-off measures has been counter-productive since both spending and the deficit have systematically increased."

Mr Fazio's second friendly warning concerned employment, and was aimed specifically at Mr Silvio Berlusconi, the prime minister, who promised to create a million jobs during his election campaign. The governor doubted whether the private sector could create more than 850,000 jobs over the next three years - even with the positive effect of easing hire and fire laws plus giving tax incentives for job creation. Public sector employment would decline, he said.

But perhaps his real warning was on the effect of political uncertainties on the lira. In the second quarter of the year, he said, there had been a net outflow of portfolio investments to the tune of L20,600bn. Of this, L11,700bn had taken place in June. These capital outflows had weakened the currency, especially against the D-Mark.

The lira, he insisted, was as much as 10 per cent undervalued against the D-Mark, especially with exports still booming and a domestic recovery beginning against low inflation. If the lira remained weak, there was a risk of renewed inflation. Italy then could move into a vicious cycle, with interest rates being pushed up once again. As it is, interest rates in Italy are now more than 3 percentage points higher than in Germany.

A rise in interest rates affects Italy in particular, with its huge stock of debt, now equivalent to 123 per cent of GDP. A 1 percentage point rise increases the annual borrowing requirement by some L15,000bn. In other words, it could wipe out the equivalent of a third of all the new revenues the government is pledged to find next year.

The government fully recog-

nises the problem of the debt stock in its economic planning document and projects that it will peak at 124 per cent of GDP next year before falling back. But its sheer size and the continuous need to fund it makes Italy so vulnerable to a crisis of confidence.

In parliament yesterday, Mr Dini appeared to take on board the governor's comments in the spirit they were offered, well aware of the difficulties ahead in fleshing out the details of the budget in the autumn. But he was also bullish on the economy. The strong recovery in progress could see next year's growth exceed 2.7 per cent, he said.

The government's economic team will be given only a small breathing space by the summer break since concrete proposals for spending cuts will have to be finalised by mid-September. In the meantime, a hint of the problems ahead came this week from the senate where the government lacks a clear majority and where the health, labour and industry commissions rejected various budget proposals.

These could pass in a full house; but the government cannot take for granted a safe passage for the most controversial of its proposals - the pardon on buildings constructed illegally. This proposal has been criticised by the mayors of most large cities and attacked by the environmentalists as condoning the large scale speculative development that has blighted many municipal suburbs. If the scope of the pardon is reduced as result of these protests, the government faces the difficult task of finding replacement revenue.

Change of role for French fast breeder

By David Buchan in Paris and Judy Dempsey in Berlin

France's Superphénix, built as the world's largest fast breeder reactor to produce electricity, is to start a new life in the next few days as a centre of research into the burning of plutonium and nuclear waste.

The French nuclear safety authority yesterday gave the final go-ahead for the L300MW reactor to end its four-year shutdown, and the director of Superphénix at Creys-Malville, south of Lyon, said he hoped to be able to push the start button before Sunday.

Running Superphénix as a research reactor will cost FF100m (£12m) a year, to be borne by France's Atomic Energy Commission and Electricité de France (EdF), the French utility that owns 51

per cent of the reactor. Half the money will be spent on a study into the burning of plutonium.

The restarting of Superphénix, primarily as an incinerator of plutonium and unrecyclable waste and only incidentally as a power generator, comes as Cogema, France's nuclear fuels agency, is trying hard to maintain important German reprocessing contracts.

Last week Greenpeace, the environmental action group, published a restated of discussions between Cogema and Pressensieckstra (PE), a subsidiary of Veba, in which the latter said it wanted to make some changes to its 1990 contract with Cogema in an effort to limit its plutonium stocks.

Originally conceived in the fuel-short 1970s, Superphénix was designed to "breed" more plutonium than it con-

sumes. But it is now to be switched to destroy more than it creates. Mr Jean-Louis Ricard, Cogema's head of reprocessing, said yesterday that Superphénix's net consumption of 100kg of plutonium a year would be used, but only marginally in the context of the 10 tonnes of plutonium which French reactors produce each year.

But Mr Ricard said Cogema's contract renegotiation with PE began well before a recent legal change in Germany, dropping the previous requirement for German utilities to reprocess their spent nuclear fuel, and giving them the option of stockpiling it.

Mr Ricard said he was confident of keeping his German clients, who account for 15 per cent of Cogema's FF14bn a year reprocessing business, and who have helped fund the FF30bn

spent on the fuel recycling plant that Cogema has built for its foreign clients at La Hague in Normandy.

The change in Germany is the result of a compromise thrashed out between Mr Klaus Töpfer, an inevitable member, and the opposition Social Democrats, to end a dispute which has frozen development of nuclear energy in Germany since the Chernobyl nuclear accident in 1986.

The German utilities will have to decide whether to continue current contracts with Cogema and British Nuclear Fuels or seek an alternative site for direct disposal to the Gorleben salt mines in Lower Saxony. Gorleben, which is being financed by the utilities is not yet in use, and commissioning is running behind schedule because of political obstacles.

Soviet states, said that "economic union is inevitable, both for the Russian economy and for their economies. Political union, military union, are quite different things and we should not seek them now."

The treaty with Bashkortostan, an oil producing republic which has already adopted its own constitution, is in line with Moscow's attempt to hold together the sprawling Russian Federation by bilateral treaties which concede large areas of economic and legislative autonomy - including independent tax-raising powers - within a common constitutional and macro-economic framework in which defence and foreign affairs are handled largely by Moscow.

Mr Yeltsin told the official news agency Itar Tass after the signing ceremony that "we are

Russia concedes powers to Urals republic

By John Lloyd in Moscow

Russia yesterday signed a treaty "defining the areas of competence" between Moscow and the south Urals autonomous republic of Bashkortostan - the second treaty of its kind and one which President Boris Yeltsin said represented "genius federalism".

The treaty was signed as Russia continues to trade threatening rhetoric with its most unruly federal subject, the north Caucasian republic of Chechnya. Russian officials have supported the claims of the rebel Chechen interim council to oust General Dzhokhar Dudayev, the republic's president. However, yesterday Mr Yusup Soslanbekov, the former speaker of the Chechen parliament, said the opposition lacked the force to displace

General Dudayev and "only a war" would oust him.

The Russian president also held talks yesterday with President Alexander Lukashenko of Belarus aimed at concluding a political treaty between the two former Soviet states. Both men were vague on the all-important issue of monetary union and said they would "honour previous agreements" in establishing a monetary system.

Mr Vyacheslav Solovov, a deputy chairman of the Russian Central Bank, told the Financial News Agency that "some points were corrected" in a draft treaty unifying the two currencies, and that the Belarus National Bank would play a role in money supply and the issuing of credits.

Commenting on Russia's negotiations both with former



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NEWS: THE AMERICAS

Two foundation blocks emerge from Congress

George Graham on the Senate and House versions of healthcare reform bills as deadline for vote approaches

Now that separate healthcare reform bills compiled by Senator George Mitchell and Congressman Richard Gephardt are on the table as the basis for debate in the Senate and the House of Representatives next week the outlines of an eventual overhaul of the US health system are starting to emerge.

There are many differences between the two bills, and it is still far from certain that any reform at all will pass Congress. Many Republicans are now arguing that time has already run out for adequate debate this year on a measure of such magnitude.

Yet the Mitchell and Gephardt plans have much in common, and if a healthcare reform bill does pass - albeit by the slimmest of margins - these features now appear likely to form its foundation.

At the heart of this common ground is a new set of rules for the insurance market:

insurers would be required to accept all eligible applicants, and would not be allowed to drop or reduce anyone's coverage, nor increase their premiums, because of their medical record. Community rating, in which premiums can vary only by geographical area, age or family status, would replace the now generally practised system of experience rating, in which insurers set premiums on the basis of their claims experience with an individual or a company.

This change would lower health insurance costs for many families and businesses, and would put a stop to the heart-breaking stories of people stripped of their insurance just when they need it most, when they or their child develops some crippling long-term illness.

It would, however, probably raise costs for the younger and healthier people who make fewer claims on their health insurance.

Both the Senate and House bills would also set a national standard benefits package defining which types of care must be covered by any insurance policy, and would increase the benefits the elderly now receive under the government's Medicare programme by improving coverage for long-term care and by reimbursing the cost of prescription drugs.

Both would raise the cigarette tax by 45 cents a pack and, in differing ways, broaden access to the programme under which federal government employees now obtain their health insurance.

The two bills offer very different approaches to the problem of expanding

health coverage to the estimated 35m to 40m people who have none.

The House bill simply requires employers to provide health insurance to their workers and pay for at least 80 per cent of its cost.

Senator Mitchell concluded that this employer mandate would not pass the Senate, and his bill holds it in reserve for the year 2003 if his own voluntary system fails to bring 95 per cent of the population into the health net. It would require companies to offer their workers a choice of at least three insurance plans, but would not oblige the employer to accept this offer or the employer to pay any share of its cost. It would, however, offer subsidies to low income individuals to encourage them to buy insurance and to employers to encourage them to expand health coverage to all their employees.

The two plans also offer different safety

nets to the unemployed and the poor, though both would abolish the current Medicaid programme.

While the House bill fulfils President Bill Clinton's requirement of "guaranteed universal coverage", the Senate bill would provide 95 per cent. But Senator Mitchell has received Mr Clinton's general endorsement, and argues that the most important thing is to reverse the trend of coverage, which - excluding the elderly who are covered by Medicare - has dropped from 88 per cent in 1980 to 83 per cent today.

One critical difference lies in the two bills' approaches to containing medical inflation, which was once the driving force behind efforts to reform the health system. The House bill relies on increased competition between insurers and medical providers to control costs, with, as a standby, a national commission

to impose fee schedules if healthcare inflation has not abated.

Senator Mitchell, on the other hand, has introduced an already controversial scheme to levy a 25 per cent assessment on expensive health plans whose costs rise by more than a fixed percentage above the rate of general inflation.

Because of the different rules of procedure in the two chambers, it is the Senate bill that is likely to be most heavily amended when debate opens, probably next week. It is also the Senate bill which appears to come closest to a lowest common denominator which can pass in both chambers.

But with outright opposition from almost all Republicans and continuing doubts from many right-wing Democrats, Senator Mitchell and Mr Gephardt have few votes to play with in their search for a majority.

US economic growth 'slowing' on June figures

The US index of leading indicators rose by a modest 0.2 per cent in June, this being the latest sign that economic growth is slowing, the government said yesterday, agencies report from Washington.

Analysts, who had anticipated the rise in the government's chief forecasting gauge of future US economic activity, said that a small increase was consistent with evidence that the economy is expanding at a moderate pace.

This was reinforced by the Federal Reserve in its latest Beige Book survey of economic activity, which said scattered signs of economic slowing were emerging, with rising wage and commodity costs.

Presenting revised figures, the Commerce Department

said the index rose 0.1 per cent in May, after remaining unchanged in April. The department previously reported that the barometer was unchanged in May.

It also said yesterday that orders to US factories rose in June for the fourth consecutive month, climbing 0.8 per cent and matching the previous month's increase.

The rise was practically across-the-board, excluding construction-related material and home furnishings. The rise was led by a 12.8 per cent surge in orders for medical instruments and navigation equipment.

The Fed said yesterday: "Business activity in most areas is continuing to expand at a solid pace, although a

number of districts report scattered indications of some slowing or slight declines."

The Beige Book, produced about every six weeks, said several districts had reported labour markets tightening and said that was pushing wages up. "However, labour shortages appear to be concentrated only in a few skilled occupations," the Fed added.

But price rises were reported for a broader range of commodities used for manufacturing, including finished steel and steel scrap, copper, wood and building materials.

Retail sales that had moderated in the spring have picked up but competitive pressures were holding prices down and squeezing profit margins, the Fed said.

Nicotine in cigarettes declared addictive by FDA advisers

By Jeremy Kahn in Washington

A US Food and Drug Administration advisory panel has concluded that nicotine in cigarettes is addictive, this being the first formal step toward US federal regulation of nicotine as a drug.

The eight-member scientific panel, made up of academics from various parts of the country, concluded after a nine-hour debate on Tuesday that all cigarettes on the market are addictive. This was the first official statement by the FDA

that nicotine meets its definition of a drug - a substance which affects "the structure and function of the body."

However, the committee failed to reach a consensus on how much nicotine it takes to make a smoker addicted.

Dr David Kessler, the FDA commissioner, called the findings "enormously important" because they contradict tobacco industry claims that cigarette smoking is "a free choice issue."

Dr Kessler has been considering tighter federal regulation of the tobacco industry since

February, amid protests from cigarette manufacturers who claim he is waging "a dangerous crusade" to ban cigarettes and destroy their companies.

The commissioner said he does not want prohibition but is increasingly convinced the government must try to stop more teenagers and children from becoming addicted.

To regulate cigarettes, the FDA must prove not only that nicotine is addictive but also that companies purposely manipulate chemical levels to make more customers addicted.

Accountancy US firms protect partners

By Andrew Jack

Three of the six largest US accountancy firms have changed their legal structure in an effort to provide protection for their partners' assets from litigation.

The remaining three large firms confirmed that they were also at an advanced stage of taking the same route over the next two months.

Coopers & Lybrand, Ernst & Young and Price Waterhouse changed their legal status to become Delaware limited liability partnerships on Monday. KPMG Peat Marwick and Deloitte & Touche are also likely to become registered in Delaware over the next few weeks, taking advantage of accommodating corporate regulations. Arthur Andersen, the world's largest firm, is believed to be considering registering as a limited liability partnership in Illinois, the state in which its principal US activities are based. Otherwise it too will register in Delaware.

The change has come as part of efforts by the firms to mitigate the effects of large lawsuits from aggrieved investors and others who claim to have relied on their audit opinions. The firms argue that many of the claims against them are unjust and are fighting for reform of the US legal system to introduce "proportionate liability" rather than the current position in which they can be required to pay all damages even if only found partly to blame.

Whitewater inquisitors find no 'smoking gun'

By Jurek Martin, US Editor, in Washington

It was nearly two in the morning. For the umpteenth time a Republican senator - on this occasion Mr Phil Gramm of Texas - was hearing Mr Roger Altman for being economical with the truth to Congress.

For the first time in 10 hours of testimony which ended early yesterday, the deputy secretary of the Treasury allowed his anger to flare. But then he checked himself and, yet again, repeated that he had not dissembled to Congress and that he had not engaged in "substantive" meetings related to Whitewater other than the one, on February 2, at the White House, that he had always mentioned.

Later, Mr Altman was back on the stand again, in front of the more friendly House banking committee, along with Ms Jean Hanson, the Treasury lawyer, whose recollections of who said what, when and to whom had differed in parts from his own. Their boss, Mr Lloyd Bentsen, the Treasury secretary, was practising his courtly wiles on former colleagues on the Senate panel. He portrayed himself as above the fray while it was unfolding, but in no way did he disown Mr Altman nor depart from the administration's basic defence that it broke no laws, criminal or ethical.

Barring the unexpected, the congressional hearings seem to have reached an impasse. Without doubt, Republicans have succeeded in identifying inconsistencies in testimonies, but a big breach in the wall



Roger Altman: unwilling to walk the plank

Associated Press

has not been effected and no "smoking gun" has been found.

This is partly because the hearings have featured much minutiae and been replete with bureaucratic legalisms - "pre-briefs," "recusals," "tasks," "redactions" and "referrals".

A week's hearings have embraced only a sliver of the Whitewater affair - specifically the conduct of investigations into the Madison Guaranty savings and loan company formerly owned by the partner of the Clinton family in the Whitewater land development scheme in Arkansas.

There may be fireworks to come. Followers of political streetfighting relish the upcoming confrontation between Senator Al D'Amato, the rough and tough New York Republican, and Mr Harold Licks, the rough and tough New York Democrat who is

now deputy White House chief of staff.

But no heads have rolled, though lesser fry, like Ms Hanson, must be rubbing their necks. Mr Altman went into his testimony with universal predictions that he would be the "fall guy" for the administration's failings to come clean. But his proud demeanour made it clear that he was not going to walk the plank on the evidence presented.

Mostly partisanship has ruled, especially in the House. Senate Democrats seemed to waver when first Ms Hanson and then Mr Altman were under the gun. But, spurred on by Senator Christopher Dodd of Connecticut, they began to rally round the deputy secretary, though without assistance from the committee chairman, Senator Don Riegle. He is retiring anyway.

Brazilian election Cardoso replaces colleague

Mr Fernando Henrique Cardoso, Brazil's former finance minister, has replaced his running-mate for the presidential election on October 3, after allegations of corruption, writes Patrick McCarthy in São Paulo.

The decision came a week after Mr Cardoso's main opponent, left-winger Mr Luiz Inácio Lula da Silva, dropped his vice-presidential candidate, also after corruption claims.

Leaders of Mr Cardoso's election alliance installed Senator Marco Maciel in place of Senator Guilherme Palmeira on Tuesday night. Both are from the conservative Liberal Front party, the main electoral partner of Mr Cardoso's centrist Brazilian Social Democratic party.

The allegations surrounding Mr Palmeira related to the claimed misuse of federal budget funds for public works.

Dominican result

The US and the Organisation of American States yesterday criticised the belated decision, by electoral officials in the Dominican Republic, to declare Mr Joaquín Balaguer, 87, the winner of the presidential election held on May 16. Reuter reports from Washington.

The authorities on Tuesday proclaimed Mr Balaguer, the incumbent seeking his seventh term, the winner with 42.4 per cent, against 41.4 per cent for Mr José Francisco Peña Gómez of the Dominican Revolutionary party, who alleges widespread electoral fraud.

NEWS: WORLD TRADE

Fears of sanctions rebound

Bronwen Maddox on US telecoms companies' view of Japan market

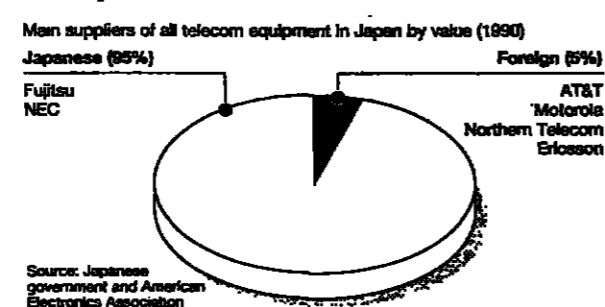
US telecommunications companies are jittery about the prospect of US sanctions against Japan. Long-standing and vocal supporters of their government's attempts to prise open lucrative Japanese markets, they are now nervous that sanctions could rebound by undermining hard-won footholds in Japan.

According to Mr Bruce Moats, spokesman on federal government affairs at American Telephone and Telegraph, "we don't want an environment of sanctions - it could upset our customers [in Japan]."

The US, which has accused the Japanese government of discriminating against foreign companies in its government procurement of telecommunications and medical technology, will decide by the end of September whether to proceed with sanctions against Japanese imports.

US companies said yesterday it was not yet clear whether the measures would take the form of higher tariffs or a refusal by the US government to buy Japanese products. They also did not know whether the equipment affected would include electronics as well as mainstream telecommunications technology.

US/Japan telecommunications



Source: Japanese government and American Electronics Association

However Washington has argued that some form of action was justified by the failure of leading US telecoms companies such as AT&T and Motorola to win market share in Japan. According to AT&T, which firmly backs the government's attempts to open the markets, its Japanese sales of switching and transmission equipment and fibre optics were "very small" in relation to its marketing efforts, when compared with results in other overseas markets.

It said that NTT, the part-pri- vatised Japanese telecoms carrier, which is AT&T's main customer in Japan, gave it only a small slice of its annual procurement budget of some \$60m to \$70m, although it had man-

aged to win additional orders from the new common carriers that compete with NTT on domestic long distance traffic.

The possibility that this precarious business could be jeopardised by the US government's actions is a growing concern for AT&T. Despite US companies' support for their government's strategy, they are aware that trade sanctions have a poor record in bringing about the desired change.

Japanese companies themselves have been sanguine about the potential impact, while pointing out that the US has often resorted to tough language but has in practice been extremely cautious about deploying sanctions. Moreover, Japan's response to the tussle

of the past few months suggests that it is becoming steadily less perturbed about the prospect of US retaliation than it has appeared during the long history of trade tension between them.

Equivoical about whether such measures would succeed in opening up Japanese markets, US companies are also sceptical that sanctions would hurt their Japanese competitors in the US markets. Investment analysts say that price competitiveness in the market is so great that they would expect Japanese companies to absorb higher tariffs through their margins rather than attempt to raise prices.

The most valuable part of the government procurement market, they argue, is that for military equipment, while its size is hard to estimate, analysts believe that foreign penetration is low.

Ms Debra Waggoner of the American Electronics Association said: "Outside the US, Japan is the world's single largest telecoms market. But our market penetration is dismally low - we probably have 3 to 4 percentage points of the 5 per cent of sales which go to foreign companies."

She said companies should not be deterred by fears that the US government's actions

would offend Japanese customers. Previous episodes when the US government had threatened sanctions had shown that the pressure companies can get from their suppliers is intense - the suppliers want them to tell their government to back off.

Meanwhile, analysts question whether the Japanese markets are really as inaccessible as the US suggests - and whether the war is worth fighting. Mr Richard Kramer, telecoms analyst at Kleinwort Benson Securities in London, said technological specifications of equipment already installed, rather than issues of price, customer loyalty or government preferences, were among the most important market barriers.

For example, he said, "it is difficult to mix and match large digital switches. It is facile to say 'open up your markets and buy this switch'."

"Further penetration in either direction - of the Japanese market by the US or of the US market by the Japanese - is hard," he said.

If his arguments are right, and if the US goes ahead with sanctions, US companies could become embroiled in a trade battle in which they have little to win and much to lose.

Bouygues in rail link for Sydney

By Nikki Tait in Sydney

The French construction group Bouygues is to partner Australia's Transfield and CRI, a local project management company, in building a \$600m (US\$445m) underground rail link between Sydney's centre and its international airport, to the south on Botany Bay.

The go-ahead for the project was announced yesterday after all-night negotiations between the New South Wales state government and the private sector interests. The state will contribute more than A\$470m for the construction of the 10km line, while Bouygues and Transfield, the joint venture partners, will shoulder about A\$125m of construction and operating expenses for the four stations on the line.

Bouygues/Transfield/CRI will be responsible for the tunneling, line and station construction work, and for running the stations at first: the time-frame for that contract has not been decided but is likely to be anything from 15 to 30 years. The Bouygues involvement was not mentioned in the formal announcement but Transfield - a prominent but privately owned Australian group - confirmed it had signed a separate 50:50 joint venture agreement with the French group.

There is no rail connection at present between Sydney's airport, the largest in Australia, and the city centre. The state denies that the choice of Sydney to host the Olympic Games in 2000 was the catalyst for the project, but acknowledges that this makes the need for efficient transport more urgent. Work is due to start next February and the line is to open by September 1999.

NEWS IN BRIEF

Delay over Saudi power contract

Saudi Arabia has delayed the award of a \$1bn power project in Riyadh, the capital, and is still evaluating ways of financing it, Reuter reports from Manama. Industry sources said the Kingdom was assessing financing proposals from US banks and from Helix Saudi Heavy Industries, one of the companies competing for the deal.

BSHL, in consortium with General Electric of the US and Binladen, a Saudi company, submitted the lowest bid of \$970m to the Saudi Consolidated Electric Company. Further customer options have raised the cost of the 1,200MW plant to around \$1bn. Asea Brown Boveri of Sweden and Siemens of Germany were also competing to win the contract.

Finance boost for US shipbuilding

President Bill Clinton has announced \$1.5bn in approved or pending loan guarantees for four contracts designed to boost the US shipbuilding industry, Nancy Dunne writes from Washington. The financing packages will benefit shipyards in Mississippi, California and Virginia and one \$720m loan guarantee would support construction of 30 multi-purpose container ships in Louisiana by the Swiss-based Savarion Investment.

The House of Representatives has also approved \$1bn in new subsidies for shipyards and shipping lines but subsidies would not be granted unless compatible with a new multilateral pact among shipbuilding nations.

Indian private airlines face import ban

India has frozen imports of large aircraft by private airlines and decided to move slowly in permitting new airlines, Reuter reports from New Delhi. Civil aviation minister Ghulam Nabi Azad told parliament the freeze was due to congested air corridors and airports. He said imported smaller aircraft with a capacity of up to 30 seats would be encouraged to operate on short routes.

Canadians to expand Budapest airport

Huang & Danczak Properties, a Toronto-based developer, has won a contract worth about C\$200m (\$145m) to modernise the main airport at Budapest, the Hungarian capital, writes Bernard Simon in Toronto.

One of the airport's two terminals will be rebuilt, doubling capacity to about 6m passengers a year. Following construction, which is due to start this autumn, a Huang & Danczak subsidiary will operate the two terminals for 12 years and then turn them over to the Hungarian government.

Hot springs venture for Beijing

China and an unnamed Hong Kong company have set up a joint venture to develop hot springs in Beijing with investment of nearly \$1bn, Reuter reports from Beijing. Xinhua news agency said the project involved construction of a five-star hotel, hot spring sanatoriums and a convention centre.

By Jeremy Kahn in Washington

Critics in the US who cite Japan's closed market and Tokyo's refusal to accept numerical indicators in the framework trade negotiations could find it difficult to support their arguments with statistics.

Obtaining accurate import and export figures can be almost as difficult as attempting to interpret them.

The US commerce department, which tabulates data collected by the US census bureau from shipping statements, is only able to provide figures for a broad product grouping which includes not only cellular telephone handsets, but cellular base units and certain other devices, including citizen band (CB) radios.

These are the only readily available figures. The leading industry trade association in the US, the Cellular Telecommunications Industry Association, does not record or file statistics on exports to Japan, and spokesmen at half a dozen other cellular industry organisations said that they could not easily arrive at a figure.

Motorola, which is the largest US

seller of cellular equipment in Japan, declined to release any sales figures.

The commerce department statistics demonstrate a progressive increase in the dollar amount of US cellular equipment being exported to Japan from 1984 to 1991, when the exports totalled more than \$50m. Sales dropped sharply to \$14.2m in 1992, before climbing back to nearly \$48.5m last year.

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NEWS: UK

Tour operators heat up holiday price war

By Michael Skapinker, Leisure Industries Correspondent

Britain's leading package holiday companies yesterday moved from merely kicking sand over each other's towels to an outright brawl for a larger share of the summer market.

Not for this summer, but for the summer of 1995. There are still 1.5m packages on sale for this summer and more than a third of holidaymakers have not even left home yet.

But so intense is the rivalry between tour operators and travel agents that they cannot bear to see competitors publish an earlier brochure, offer a bigger discount or boast that more children go free.

First on the beach was Thomson, the largest tour operator, and Lunn Poly, its travel retail chain. Thomson's first 1995 brochure, published on Tuesday, was no more than a sampler - 83 pages of family holidays in destinations such as Spain, Tunisia and Florida.

Lunn Poly offered 11 per cent discounts off all summer 1995 holidays.

Yesterday, Airtours, the second-biggest operator, hit back, sending travel agents 1,600 pages of holidays to places like Turkey and Thailand. Mr Harry Coe, Airtours' finance director, denied his group was forced into an early launch by the Thomson brochure.

Mr Richard Carrick, Airtours' marketing director, admitted, however, that the company had prepared four possible launch dates to ensure that it was not beaten to the market by Thomson. Airtours, he revealed, was ready to launch its summer 1995 long-haul programme as early as last month, had Thomson forced it to do so.

Going Places, Airtours' travel agency chain, said it would offer discounts of up to 12 per cent on favoured operators. These include Airtours itself, but also rivals such as Owners Abroad and British Airways Holidays.

Mr Coe said Going Places' highest discounts would go to those operators which provided the chain with the most "support", which means that they offered to help bear the cost of the discounts. Other operators' holidays will be sold at discounts of 4 per cent to 8 per cent. Last night, Lunn Poly hit back by announcing 12 per cent discounts on all holidays.

Thomas Cook, the third largest travel retailer, said it would match prices on offer from any other chain.

Mr Peter Shanks, Thomas Cook's commercial director, said the sensible time to offer discounts for the following summer was in late August or early September when people had returned from holiday.

Mr Francis Baron, chief executive of Owners Abroad, the third-largest tour operator, said the price battles "defy commercial logic". He added: "It remains to be seen how many people are going to book before they have even gone on this year's summer holiday."

Former BCCI officer is jailed

By John Mason, Law Courts Correspondent

A former senior employee of Bank of Credit and Commerce International was jailed for three years at the Old Bailey yesterday in spite of unprecedented pleas by US prosecutors.

Mr Imran Imam, a former accounts officer in the bank's London offices, was convicted last week of helping to boost the failed bank's profits fraudulently by \$250m. He had achieved this by falsifying records connected with bogus loans to customers from which BCCI claimed fee and interest income.

The jury found him guilty of charges including conspiracy to conceal or falsify documents and furnishing false information to the bank's auditors.

Mr Imam's sentencing followed highly unusual pleas in mitigation from US prosecuting officials who argued that his co-operation with them had resulted in the recovery of \$70m of missing BCCI funds.

Mr John Moscow, the assistant New York District Attorney, and Mr Richard Small, counsel with the Federal Reserve, gave evidence to the court praising Mr Imam's role in their investigations.

Mr Imam's co-operation with the US authorities started when the bank collapsed in July 1991 and included his giving evidence in two criminal trials in the US.

Imprisoning Mr Imam, Judge Pownall said the assistance he had given to US investigators meant he was entitled to a substantially shorter sentence.

Milk production hormone prompts wide opposition

By Alison Maitland

Retailers, consumers, farming organisations and animal welfare groups have come out strongly against the licensing in Britain of a hormone that boosts milk production in cows.

Just over 100 companies, organisations and individuals responded to a government consultation paper, with 63 expressing concern about bovine somatotrophin, or BST. Twenty-one favoured licensing it, including the BST manufacturers Monsanto and Lilly Industries, and the rest expressed no firm opinion.

BST, an artificially produced version of a hormone that occurs naturally in cows, went on sale to farmers in the US in February after winning approval from the Food and Drug Administration last November.

European Union agriculture ministers are due to decide in December whether a ban on its use should be lifted or remain in place until the year 2000.

Britain is believed to have been in a minority of two in wanting the ban lifted when the 12 ministers discussed the issue last December. Germany is thought to have favoured an indefinite ban, while most countries wanted a moratorium until the end of the decade.



Imran Imam arrives at the Old Bailey in London yesterday to be sentenced to three years imprisonment.

The judge also said he could understand why Mr Imam might have felt "hard done by" when the UK authorities decided to prosecute him. During a pre-trial hearing, lawyers for Mr Imam said that while he was co-operating with the US authorities, he had been led to believe that he would not be prosecuted in the UK. The Serious Fraud Office has denied ever giving such an assurance to the US authorities.

However, the judge said the BCCI fraud was a "stupendous" one in which Mr Imam had played "a dishonest and not inconsiderable part". He accepted that Mr Imam had acted under the instructions of Mr Swaleh Naqvi, the former BCCI chief executive, and that others had been more responsible for the fraud. However, he said Mr Imam had played a larger role in the fraud than he had asked the court to believe.

Go-ahead for Channel tunnel services

By John Wilman, Public Policy Editor

The Anglo-French inter-governmental commission has approved limited passenger services through the Channel tunnel.

The commission has given permission for invitation-only passenger rail operations, the final stage of preparation for running regular public services.

Trains will be run at less than full load with increasing frequency, under the supervision of the commission, which must satisfy itself on safety.

Trains will carry invited passengers and their cars between the Cheriton terminal at Folkestone and the Sangatte terminal near Calais.

Eurotunnel shareholders, travel agents, journalists and politicians will be among the first groups invited. The company hopes to launch a regular service in October.

The commission's decision also covers high-speed Eurostar passenger services between London, Paris and Brussels.

Limited services for invited passengers are expected to be launched "very shortly" by SNCF, the French state rail company, SNCB, the Belgian equivalent, and European Passenger Services, the UK rail link operator formerly a subsidiary of British Rail.

SIEMENS

Information for Siemens shareholders

Growth spurred by international business

Increasing signs of economic recovery in Germany

Positive developments in the most important international markets, increasingly obvious signs of an economic recovery in Germany and a number of major projects boosted business measurably in the first nine months of the 1994 fiscal year. New orders rose 8% over the previous year's comparable period and sales edged up 3%, while net income after taxes weakened slightly.

Orders

During the period under review, Siemens recorded orders worth DM64.7 (1993: DM59.9) billion. Growth was generated primarily by international business, which climbed 18% from DM33.3 billion to DM39.4 billion. This surge was largely attributable to major projects as well as the initial consolidation of Osram Sylvania Inc., Danvers, Massachusetts. Without these special factors, the standard products business grew 6%. Particularly noteworthy were two combined-cycle power plant projects in Taiwan and the United Kingdom, each of which boosted orders by nearly DM1 billion in the last quarter. Orders were also on the rise in Central and Eastern Europe. In Germany, orders showed their first sign of recovery after a sustained weakness: at DM25.3 billion for the first nine months, however, they were still 6% below last year's figure. Although German business in the Industrial and Building Systems (ANI), Drives and Standard Products (ASI) and Automation Systems (AUT) Groups somewhat recovered in recent months, their overall figures were down from last year. This decline was partly offset, however, by a solid level of international orders. Both domestic and international orders remained weak at the Power Transmission and Distribution (EV) Group. In contrast, the Power Generation (KWU) and Defense Electronics (SI) Groups booked strong orders due to major projects. The continuing boom in electronic components also kept orders up at the Semiconductors (HL) Group. SNI posted a gratifying level of new orders in the third quarter.

Sales

Sales continued to show the same picture as in previous quarters: weak in Germany and strong abroad. Worldwide, sales rose 3% over the same period last year to DM57.7 (1993: DM55.8) billion. Whereas sales in Germany slackened 6%, international sales showed a solid 11% gain. Trends in the various operating units were uneven. Both the Transportation Systems (VT) and Automotive Systems (AT) Groups recorded lively sales, and sales in the Semiconductors Group soared on the strength of the continuing market boom. In contrast, sales by the Public Communication Networks (ON) and Industrial and Building Systems (ANI) Groups declined. Due to the billing of major projects in the previous year, the Power Generation (KWU) Group's comparative sales figure was markedly down. At Siemens Nixdorf Informationssysteme (SNI), rising international sales could not compensate for weak business in Germany.

Employees

The number of employees declined by nearly 6,000 to 391,000 at 30 June 1994; 4,000 jobs were affected in Germany and 2,000 abroad. The total work force figure remained unchanged from 30 September 1993, since worldwide reductions were offset by staff added by the consolidation of Osram Sylvania. A further 1,500 full-time jobs were converted to part-time positions in June 1994 alone, and Siemens had a total of more than 18,000 part-time employees at 30 June 1994, an increase of 4,000 over 30 September 1993.

Capital spending and net income

Capital spending declined to DM3.5 billion compared with DM4.7 billion the previous year. This decline was largely due to reduced acquisitions. The year-earlier figure had been boosted by the purchase of Sylvania's North American lamp business from GTE Corporation, Stamford, Connecticut. Expenditures on property, plant and equipment also declined, due to weak business in Germany. Net income after taxes, at DM1,245 million, was down from last year.

DM billion	1/10/92 to 30/6/93	1/10/93 to 30/6/94	Change
Orders	59.9	64.7	+8%
German business	26.6	25.3	-5%
International business	33.3	39.4	+18%

DM billion	1/10/92 to 30/6/93	1/10/93 to 30/6/94	Change
Sales	55.8	57.7	+3%
German business	25.1	23.6	-6%
International business	30.7	34.1	+11%

1993	30/9/93	30/6/94	Change
Employees	391	391	0%
German operations	238	229	-4%
International operations	153	162	+6%

DM billion	1/10/92 to 30/6/93	1/10/93 to 30/6/94	Change
Capital expenditure and investments	4.7	3.5	-27%
Net income after taxes	1,324	1,245	-6%

unaudited accounts

Siemens AG, Berlin and Munich

مكتبة ابن خلدون

NEWS: UK

Shipyard unions claim EU victory

By Chris Tighe

Unions representing former Swan Hunter employees claimed a significant legal victory yesterday when a Newcastle industrial tribunal decided that it could consider claims that the British government had failed to implement European directives.

The shipyard unions had brought a case at the tribunal against the employment secretary alleging that the government had not paid in full "protective awards" won on behalf of 420 redundant Swan Hunter employees at a tribunal last September.

The awards, made under the Employment Protection (Consolidation) Act 1978, were made in compensation for the receivers' failure to give 90 days' consultation before announcing the redundancies after they were called into Swan Hunter in May 1993.

After the tribunal's decision Mr Christopher Vajda, counsel for the employment secretary, said an appeal would be lodged, but the department did not confirm this.

The European Court of Justice ruled in June that the government had failed to properly implement the collective redundancies directive which requires there be a proper sanction against employers who fail adequately to consult on redundancies.

A ruling in 1990 held that when a member state is in breach of its obligations, citizens who have suffered losses as a result can pursue claims for damages against their government.

The maintains that these cases - called Francovich awards - should be heard only in the High Court.

Yesterday's tribunal decision means that the way is now open for UK claimants to pursue a less costly route for claiming damages, said solicitor Stefan Cross of Brian Thompson & Partners, representing four of the five unions.

Mr Cross said this tribunal decision, unless overturned, would also provide a potential alternative way redress for employees aggrieved by changes to their contracts under the Transfer of Undertakings (Protection of Employment) regulations of 1981.

The Newcastle tribunal is now hearing the unions' claim, itself a test case on insolvency, that the department should not have based its calculations

on eight weeks' deducted money, instead of 12, paid in lieu of notice. Most of the 420 workers received little or nothing, but if the unions win, some could gain £5,000.

The employment department is involved because, on receivership, it assumes many responsibilities to employees.

● Construction Mécaniques de Normandie, sole prospective bidder for Swan Hunter as a going concern, said yesterday its latest offer to the receivers included payment of the design team until the end of this year.

Swans' order book ends in November and the receivers must decide whether to make redundant the the 100-strong design team, without which the company cannot tender for more work.

Britain in brief



Rail chief warns of strike 'threat'

British Rail chairman Sir Bob Reid intervened publicly in the signalling dispute for the first time yesterday, warning that continuing disruption threatened the future of the railway industry and everybody who works in it.

In an open letter to Mr Jimmy Knapp, the RMT transport union's general secretary, he warned that the planned intensification of the eight-week long conflict with the planned stoppages for 72 hours around next weekend "would be hugely destructive".

The BR chairman called on the RMT executive to ballot their signalling grade members again on Railtrack's latest pay offer and suspend further strike action until the result was known.

Railtrack said last night it had no immediate plan to force through its pay offer by requiring signalling staff to sign up under new employment contracts and it ruled out any suggestion that any of them would be dismissed and replaced.

Oil contract for Shetland field

British Petroleum and Shell yesterday announced the first big contract connected with their accelerated development of the Foinaven field west of the Shetland Islands. It is the first firm project in the UK's most promising frontier oil province.

A consortium of McDermott International and Golar-Nor Offshore of Norway were awarded an interim contract to enable them to begin converting a Finnish-made cargo vessel into a floating production platform capable of operating in the open ocean and deep water west of Shetlands.

The companies envisage initial Foinaven production of

about 75,000 barrels a day starting late next year or early in 1996.

The full contract, which could be worth as much as \$750m over a life of five to 10 years, would follow government approval of the proposed Foinaven development. It will also need the approval of the BP and Shell boards.

In a departure from the usual North Sea practice, BP and Shell will relinquish responsibility for operating the field to the consortium, which will also retain ownership of the production vessel.

The consortium will also be responsible for operating a tanker shuttle system to transport the oil to a land terminal, which has yet to be designated.

Foinaven, which lies in 500 metres of water 130 km west of Shetlands, is one of two discoveries which BP and Shell have made in the area. Each of the fields contain between 250m-500m barrels of oil.

Rise in drug seizures

The war against drugs can never be won despite the seizure of a record £78m worth of illegal substances at London's airports last year, HM Customs said yesterday.

"There is a way to stop drug smugglers and that is stop every single passenger. It's not acceptable to the politicians or to the general public," said Mr David Chesters, Assistant Collector for Customs at Gatwick.

He was speaking as Customs unveiled figures for confiscations at Heathrow, Gatwick and Stansted in the financial year ending in March.

Drug seizures rose from 1,637 with a street value of £70.8 million in 1992-93 to 1,724 worth £75 million in 1993-94.

Mr Douglas Tweddle, Customs Collector for London airports, said: "There will always be incentives for people to sell narcotics. We cannot stop the problem without draconian measures."

Secret service scrutiny set

The new Intelligence and Security Committee, which is to scrutinise the expenditure,

administration and policy of Britain's secret services, is expected to be up and running before the year-end, according to Whitehall officials.

The six-strong body is to be appointed by the prime minister from among MPs and peers following consultation with the leader of the opposition.

It will present an annual report to the prime minister which will then be laid before parliament.

Adams in IRA ceasefire talks

Sinn Féin leader Mr Gerry Adams spoke last night of "guarded optimism" over the prospects for peace in Northern Ireland after he disclosed discussing a ceasefire with the IRA.

Speaking 10 days after Sinn Féin effectively rejected the Downing Street peace declaration, Mr Adams insisted: "The peace process remains firmly on the tracks and it is my view that it will not be derailed, and, in fact, that it can move forward."

The IRA confirmed in a statement on Tuesday that Mr Adams had given them, at their request, "an assessment of the current situation... as part of our overall consideration in regard to the peace process".

The development followed persistent speculation on both sides of the Irish border about the prospects of an early limited IRA ceasefire. Sinn Féin had been strongly critical of the declaration after a specially convened conference in Co Donegal last month.

BA cabin staff in strike vote

British Airways cabin crews are to be balloted on industrial action which could ground flights from Manchester and Birmingham airports.

More than half of the national airline's regional arm will vote tomorrow over whether to take action in support of a claim that they are being treated unfairly over holiday payments.

Action could be set for early next month, hitting passengers travelling during the end of the summer holidays. British Airways operates 30 services a day from the two airports.

Further delays affect plan for share settlements

By Norma Cohen, Investments Correspondent

The London Stock Exchange signalled yesterday that it may not be able to speed share settlement further by the middle of next year, saying it will make a firm decision at the end of October.

The Stock Exchange last month abandoned its two- and three-week account settlement period in favour of rolling settlement 10 days after each bargain is struck - the initial phase of a move to develop the new Crest system for paperless share settlement.

Crest, a project spearheaded by the Bank of England, is ultimately intended to narrow the settlement period to three days after each bargain is struck.

Mr Pen Kent, associate director of the Bank, had earlier set a target date for "T plus five" - five days after the date of the trade - of no later than the middle of next year.

In a recent letter to Mr Michael Lawrence, Stock Exchange chairman, Mr Kent said that the Bank would not be involved in the move to speed share settlement to five days after trade date.

He said: "We will remain fully behind the further move to five-day settlement but do

not expect that this will require a major contribution from the Crest team, which is devoting all its resources to the development phase."

Meanwhile, Thompson Financial Services, a provider of software for securities trading and settlement, said yesterday it has extended its electronic trade confirmation service to Asia, where it will be able to speed share settlement both within the region and for cross-border transactions in the US and Europe.

The Bank has said that the ability to confirm trades electronically is essential in achieving shorter settlement periods for equities in Crest. ● Imro, the self-regulatory body for Britain's fund-management industry, is to look at fund managers which invest in emerging markets and those which use derivatives.

Mr Philip Thorpe, Imro chief executive, said that while there was no evidence that investor protection was being compromised, "we are always concerned where there is a bandwagon effect".

The performance of emerging markets relative to domestic or developed stock markets had led to keen investor interest in this sector, Mr Thorpe said.



The reconstruction of Shakespeare's Globe Theatre by the River Thames in London was opened to the public yesterday for the first time. Visitors to the project - the brainchild of film director Sam Wanamaker who died this year - will be able to see craftsmen like workshop foreman Julian Ladbrook (above) using 17th century techniques and a history of theatre exhibition. *Photoby AP/WideWorld*

The South African Mutual Life Assurance Society ("Old Mutual"), established in 1845, is South Africa's oldest and largest life insurer. It has a leading position in the South African mutual fund industry and manages pension and provident funds for many of the country's leading organisations. As at 31st December 1993, Old Mutual had total funds under management of some R117 billion (\$34.4 billion*).

MARKET LEADER

Old Mutual is the leading South African financial institution. Its activities are well-established, serving the individual and group markets in South Africa, Zimbabwe, Namibia, Malawi and Kenya. The opportunities for expansion into other African countries can be expected to multiply in the future.

INVESTMENT CAPABILITY

Old Mutual currently manages more than R69 billion in South African equities for a range of life, pension and mutual funds. Investment assets are spread across the capital and money markets, the equity markets, and in property. We aim to provide good long term returns at acceptable risk to our members, through strong management by our highly qualified and experienced team.

Old Mutual's investment team, one of the largest in the South African investment community, comprises 42 investment professionals, including portfolio managers, investment analysts and economists. Our twelve portfolio managers have considerable collective experience of the South African market. The research department comprises 14 analysts and is one of the largest in the country, whilst the economics team of six enjoys a high professional reputation.

INTERNATIONAL COMMITMENT

Since the mid 1980's the Old Mutual group has realised the need for greater international exposure. This resulted in the purchase of the Providence Capitol group in the United Kingdom which provides assurance and investment products to the international market. Old Mutual now has operating companies in the United Kingdom, Ireland and Guernsey, and manages assets of some \$2.4 billion on behalf of a broad range of international investors.

* At the closing Commercial Rand rate on 31 December 1993 of R3.4 : \$1.00.

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Calvin Klein's new unisex fragrance is aimed at young consumers, reports Alice Rawsthorn

A nose for innovation

The word unisex somehow seems trapped in the 1970s, when entrepreneurs tried to persuade the children of the 1960s sexual revolution to sport the same haircuts, wear the same jeans and use the same toilets.

Unisex, or the concept behind it, is now set for a revival as Calvin Klein – the US fashion designer behind such best-selling fragrances as Obsession, Eternity and Escape – prepares for this autumn's launch of ck one, his latest scent. Whereas Eternity, Escape and other perfumes are aimed either at women or men, ck one will be what Calvin Klein calls a "shared fragrance" for the young consumers who, he believes, are ready to buy a scent created for both sexes.

"It's different from everything else we've done," says Kimberley Deling, chairman of Calvin Klein Cosmetics, a subsidiary of Unilever, the Anglo-Dutch consumer products group.

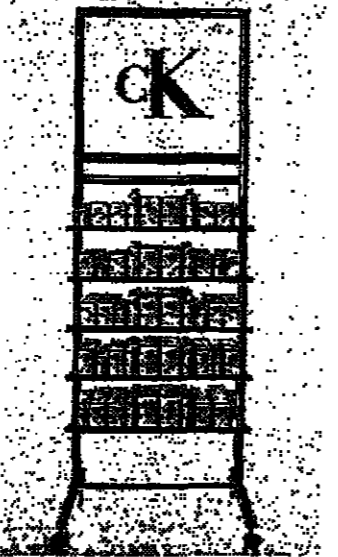
"This company is known for big fragrances with big smells. But our research told us there was a new generation of young consumers out there who want something new and fresh with a lighter smell that doesn't fit into the conventional categories. That's ck one."

Calvin Klein is not the only cosmetics company to have detected a demand from consumers for innovation in the fragrance market. After an uncertain period in which the industry has adopted a conservative approach to product development, a number of other groups – notably L'Oréal of France and Japan's Shiseido – are now becoming more experimental.

The prestige perfume market remained relatively resilient during the recession and has grown rapidly as economic conditions have improved. Industry estimates suggest that retail sales have risen by up to 7 per cent in the US and Europe since the start of 1994. Yet profitability has been depressed by the expansion of big companies – such as France's L'Oréal and Estée Lauder of the US, as well as

L'Oréal, Shiseido and Unilever – which has heralded a new era of escalating advertising budgets. The cost of launching a new fragrance worldwide has risen to \$40m (£26.6m) thereby raising the risk of costly failures.

These pressures have encouraged the industry to play safe in the presentation of new products. The most successful new scents of the 1990s – Trésor from L'Oréal and Champagne, the first Yves Saint-Laurent launch since its acquisition by L'Oréal – have targeted the classic fragrance market by reflecting traditional



images of luxury in their advertising.

The first sign that there was also a demand for something different was the runaway success of the fragrance launched last spring by Jean-Paul Gaultier, the ageing enfant terrible of French fashion. His scent has a fairly classic smell, but breaks all the industry rules with its punky advertising campaign and a bottle (designed by Gaultier himself) in the form of a woman's torso encased in an aluminium can. Chantal Roos, chief executive of British Prestige International (BPI), the Shiseido subsidiary

behind Gaultier, says they set out to create a perfume to "capture the spirit of his fashion – witty, creative, slightly controversial". The strategy has worked with some European stores running out of the scent last Christmas.

"Gaultier's success taught us a lesson," says Georges Karsfeld, director of L'Oréal. "It told us that some consumers were tired of seeing the same old images in perfume advertising – the classy women jumping out of private jets or fancy cars. They wanted something they could relate to."

L'Oréal's response is Eden, the new Cacharel fragrance introduced in Europe this spring. Eden is designed to appeal to the ecologically concerned consumers of the 1990s. Its advertising features evocative rainforest scenes and Eden is packaged in a green bottle with no discernible brand name. The bottle is made from an opaque substance that changes colour to ensure that each one is unique.

Eden has already beaten its sales targets across Europe, according to Karsfeld. L'Oréal is now preparing for its US launch next spring. Similarly BPI plans to take Gaultier to North America this autumn. Comme des Garçons and Yohji Yamamoto, two avant garde Japanese designers, are also finalising plans for fragrances which, like Gaultier, will reflect the idiosyncratic themes of their fashion.

But the most iconoclastic new product of all is undoubtedly ck one. Having decided to break new ground by launching a "shared fragrance", Calvin Klein Cosmetics is also adopting an innovative approach to marketing. It has chosen a tactically low price of \$35 for a 100ml bottle of ck one eau de toilette, against \$50 for Obsession. It is also introducing youth-oriented products, such as massage oil, and will sell ck one in unconventional outlets, notably Tower Records music shops.

"The stores are very excited about ck one," says Deling. "But at the end of the day it's the customers who'll decide whether it's a success."

What makes a defector?

Alan Mitchell on a model of brand loyalty inspired by religion and politics

If your customers are satisfied, will they be more loyal? If your answer to the question is yes, you are fully in tune with current conventional wisdom. But you may also be wrong.

Customer loyalty is a modern marketing buzzword. Studies by consultants such as Bain & Co have proved that tiny increases in the rate of customer retention can produce big boosts to the bottom line. Not surprisingly, loyalty schemes are proliferating and more and more companies are tracking customer satisfaction in a bid to improve customer loyalty.

Some, such as Rank Xerox, have made customer satisfaction their leading performance indicator. Others, such as IBM UK, link staff bonuses to customer satisfaction targets.

But new research throws doubt on one of the basic assumptions behind such schemes. Sometimes disgruntled consumers are loathe to defect to another brand and never do. Others, who are 100 per cent satisfied, will switch allegiance at the drop of a hat. Last week, for instance, British Airways revealed that the defection rate among "satisfied" customers was 13 per cent – exactly the same as among customers who complain.

The key is to understand the dynamics of conversion, says Jan Hofmeyr, a South African religious psychologist turned market researcher. At any one time, he argues, a certain proportion of a brand's followers (be it a consumer product, service, political party, religion or ideology) will be on what he calls a "conversion trajectory". Effective customer retention – and the successful poaching of rivals' customers – depends on understanding the four factors that drive individuals along that trajectory.

They are: the degree to which the brand fits the individual's needs and values; the degree to which it involves the individual; the availability of an alternative; and the individual's attraction to that alternative. The first factor, the needs/values fit, is the stuff of traditional customer satisfaction surveys. But it misses the crucial element of commitment, says Hofmeyr.

Where involvement is low, for example in a consumer's relationship with his cat litter brand, loyalty switching is usually a simple "hop, skip and a jump". But where it is high – the result of heavy emotional or financial investment as in a financial services product, a car,



Nelson Mandela and F.W. de Klerk offered National Party 'doubters' a way out

or even a marriage – people are much more conversion resistant. Hofmeyr first developed his theories when completing a PhD on religious belief formation. In a study of South Africa's large Hindu population he found a new generation of "exceptionally unhappy" Hindus desperately trying to hold on to their beliefs. The Hindus wanted to stay loyal but large numbers ended up defecting.

He then turned to South Africa's ruling National Party, discovering in 1987 that a growing number of its supporters were increasingly restive about apartheid's long-term viability. Their doubts had never bubbled to the surface because they

were strongly repelled by the alternatives. They drifted on, ambivalent, until F.W. de Klerk and Nelson Mandela offered them a way out.

Since then Hofmeyr has applied such insights, gained from the study of religious and political conversion, to nearly 50 categories, from banks to beers. Companies using the model include Ambeuser-Busch, Gillette, Mobil, Nestlé, Nissan, PepsiCo, and the current soap wars rivals Procter & Gamble and Unilever.

According to his "conversion model", which he presented publicly in Britain for the first time at a Dragon International seminar recently, purchasers of any brand

can be broken down into four types: "entrenched", "average", "shallow" and "convertible". The entrenched feel the brand fits their needs and values perfectly. They have no need to look elsewhere. The last two, while still "loyal" purchasers, are weakly committed, or on the threshold of defection.

Significantly, the research process (a simple two-minute questionnaire) also classifies non-purchasers into similar categories: "available", "ambivalent", "weakly unavailable" and "strongly unavailable". The crucial analysis for any brand is how many consumers fall into each of these categories, and why.

One of the main conclusions of Hofmeyr's research so far is that too many marketers allow their strategies, especially pricing strategies, to be dictated by the waverings of the convertibles. Only to end up compromising the very brand values that keep their entrenched followers entrenched.

The conversion model is not the only psychology-inspired attempt to help companies delve deeper into the black box of consumer motivation. At Mathematical Market Research (MMR), researchers are employing techniques originally used to pinpoint perception differences between psychopaths and the rest of the population.

Central to the technique is the "method of triads" where the interviewee is asked in what way A and B are different or similar to C. By asking a myriad of such questions, the researcher can build up a detailed picture of the interviewee's world view.

Different levels of questioning, from "which brand do you prefer, A or B?", through "why do you prefer A?" and on to "why does that attribute particularly matter to you?", unveil consumers' preferences and what drives these preferences, says MMR managing director David Thomson. This can be used to identify gaps in what appear to be crowded, mature markets.

Hofmeyr and Thomson's theories are a challenge to those who confuse habit with loyalty, who believe that the incentives or "bribes" associated with most loyalty schemes create genuine customer loyalty, or who assume that continued repurchase is proof of customer satisfaction. They also suggest new ways for marketers to convert their rivals' loyal followers. Customer loyalty may currently be a hand-wagon, but it is no longer clear that it is heading in the right direction.

How the model works

Consumers are asked questions to tease out their satisfaction and commitment to all the leading brands in a given category.

Each consumer emerges with one of many hundreds of possible combinations of answers. These are number-crunched to create a matrix. Sophisticated mathematical models, using catastrophe theory (which identifies the cusp where gradual changes stop, and a leap to a new state occurs) are then applied to break out clusters of different types of consumer, such as "entrenched" or "convertible".

At the same time, attitudes towards each brand's strengths and weaknesses are gathered. Perceptual maps, profiling the different attitudes of purchasers and non-purchasers, pinpoint why consumers are staying loyal or defecting, and suggest where marketing effort needs to be directed.

To test the model, a US tobacco company analysed the US cigarette market in June 1990. Two and a half years later, it recontacted the 2,476 consumers it had questioned. Despite price changes and volatility in the market, only 32 per cent of the "entrenched" consumers had switched brands, compared with 79 per cent of those identified as "convertible".

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TECHNOLOGY

Vanessa Houlder examines the commercial applications of massively parallel processors

Finally hitting the big time

When Bass Taverns of the UK ran a promotion to boost the sales of Guinness in its pubs on St Patrick's night, it wanted to analyse the effectiveness of the campaign. Did the promotion increase sales of Guinness compared with other brands of beer? Did it boost margins? Did it build up customer loyalty?

In the past, it has always been hard to analyse these kinds of questions with any degree of accuracy. Sifting through massive amounts of data to answer complex queries was too difficult and time-consuming for the company's mainframe computer.

This year, however, marketing analysis of this type has become possible for Bass Taverns as a result of the recent introduction of a massively parallel processor, a relatively innovative type of high-performance computer.

Parallel processors use numerous microprocessors to process a number of pieces of information simultaneously, rather than one bit at a time as in conventional computers.

The power and speed of the MPP allows Bass Taverns' marketing department to manipulate sales data far more easily than before. "Someone running the estate now has information in a far more flexible form," says Mike Jones, director of IT planning and development at Bass Taverns.

"They don't have to fight their way through boxes of information."

Bass Taverns is just one example of a growing number of companies which are exploiting the power of parallel processors. Data-mining - the extraction of information from databases - is at this stage one of the most popular commercial applications of these machines.

Financial institutions are using parallel processing to crunch through data to evaluate financial instruments. Retailers are using it to track the daily spending patterns of consumers. Banking and credit card companies can use it to detect fraud by going through databases and recognising unusual patterns.

Other potentially important uses include computer modelling of car designs, "just-in-time" warehousing, digital libraries, interactive multimedia and video-on-demand.

Parallel processors are not intrinsically new. Ever since the technology was pioneered in the 1970s, research departments and science laboratories have been keen users. However, labs represent a relatively small market compared with the big and largely untapped commercial market.

Many observers think the time has come for parallel processors to make inroads into the commercial market. "I think parallel database technology is going to proliferate

For a glimpse into the future of massively parallel supercomputers, step into the US Department of Energy's Argonne National Laboratory "cave".

A virtual reality environment created using an IBM SP2 massively parallel supercomputer, the cave can be used to simulate complex processes enabling researchers to see and hear physical changes as they occur and to test and modify their experiments.

IBM has demonstrated two potential applications of the cave. The first, which could provide a powerful new tool for drug development, is based on a molecular dynamics simulation program, running on the IBM SP2. It enables a researcher to watch and interact as a drug molecule docks on to its human protein target. To show how virtual reality could be used to enhance standard industrial processes, the cave simulates a grinding process. As material is ground away from a piece of material - wood, metal or plastic - changes in temperature and stresses created by the grinding can be simulated.

"Virtual reality is most often thought of as an exotic technology for entertainment purposes, but it also has vast potential for revolutionising applications in scientific, engineering, medical and commercial industries," says Irving Wladawsky-Berger, general manager of IBM's power parallel systems group.

The Argonne virtual reality experiments demonstrate the new role that US National Labs are playing in developing technologies that are expected to have broad commercial applications. As pioneers in the use of massively parallel processors, the labs are providing a testing ground for new computing technologies.

Louise Kefauver



throughout the IT community within the next few years," says Howard Richmond, vice-president of Gartner Group, a US consultancy.

He predicts that commercial applications of parallel processors, currently worth \$400m (£267m) a year, will become a multi-billion dollar market over the next few years. This enthusiasm is shared by the computer companies that are scrambling to get into the market, although some casualties are

forecast as a result of more cut-throat competition, together with the cuts in the defence industry's spending on computers.

One factor hastening the advent of parallel processors into mainstream commercial use is that researchers have begun to crack the programming problems which have dogged their progress until recently.

Another reason for the upturn in interest in parallel processing is

that companies are placing greater demands on their IT systems.

"Until now there has not really been a need for massively parallel processors. Now companies are needing to get a competitive edge by looking at sales trends," says Keith Rankin, a marketing manager at IBM, which launched its SP2 parallel processor earlier this year.

Falling costs are also helping to attract new users. Since parallel

processors often use cheap, mass-produced microprocessors, their cost can be one tenth of that of mainframes with the same theoretical processing power.

The relatively low cost of parallel processors means that companies can introduce systems that would not have been economic using mainframes. British Shoe Corporation, which is using a Meiko parallel processor to give its buyers more information about sales trends, says that it is "questionable" whether it would have justified the cost of installing the system on a mainframe.

Humberstone County Council, which uses a Meiko parallel processing machine to manage the payroll records of its 60,000 employees and pensioners, likewise believes that the investment will pay for itself within three years. The machines' running costs are 20 per cent less than the mainframe which preceded it.

The flexibility of parallel processors was another attraction for the council, which has an uncertain future under the planned reorganisation of local government. Expanding the power of a parallel processing system is a relatively simple matter of adding extra processors.

"The real beauty of the system is that we can grow as big as we want without losing performance," says Bob Burchell, the council's IT manager.

The eventual size of these machines is still a matter for conjecture. Meiko, the UK-based supercomputer company, is in talks with a bank that wants to build a 2 terabyte (trillions of bytes) system for marketing purposes, which it says is about 20 times larger than the largest available mainframe.

"We don't know whether it would be possible. We just don't know until we do it," says Bob Carnell, a vice-president at Meiko.

This underlines the fact that parallel processing machines are still a relatively unknown quantity. Many businesses are nervous about embracing them until their reliability has been proven beyond all doubt. "Customers who are now buying parallel machines have to be a little brave," says Robin Phillips, managing director of Parsys, a UK manufacturer.

But many of the companies which are trying out these systems believe that being in the vanguard of MPP technology could give their businesses important advantages.

Norman Ellis, business systems manager of the British Shoe Corporation, believes that the technology will lead to more informed decision making. "It turns data into information," he says. "I believe it will make quite a radical change to the business."

Cleaner ways with nuclear waste

Lionel Milgrom on an innovation with vast potential cost savings

A US company has developed a technology for handling high-level nuclear waste more cheaply and safely than existing methods. It also makes the extraction of strategic and precious metals more economic.

Molecular recognition technology (MRT) is the brainchild of Reed Hatt and Jeremy Bradshaw, professors of chemistry at Brigham Young University in Utah. The company, IBC Advanced Technology, was formed as a spin-off from the university.

MRT is a type of separation process tailored to recognise certain metals and reject others. Caesium-137 and strontium-90 are the two most important radioactive constituents in nuclear wastes, even though they occur in low concentrations. They provide 98 per cent of the heat and 97 per cent of the penetrating radiation liberated during the first 30 years after the wastes have been formed.

MRT can remove caesium-137 and strontium-90 from the waste stream, so minimising the volume of waste that has to be turned into glass and disposed of geologically. Potential cost savings are estimated to be several billion dollars.

MRT makes use of cavity-like molecules called ligands. These contain atoms that function like teeth, biting into and holding certain metals inside the ligand but not others. What determines this selectivity is the number and type of atomic teeth contained in the ligand, and the size and shape of the overall molecule.

Every metal found on earth has its own way of responding to these criteria - which means that it is possible in theory to design a ligand to recognise almost any metal and reject the rest.

When the MRT ligands are bonded chemically to solid supports, such as silica or titanium, they can be used in conjunction with porous membranes or fabricated into columns and gels. This makes MRT potentially valuable in any industry where metal separation is a problem or a financial burden.

As miners exhaust high-grade copper ores, for example, the

metal will increasingly have to be extracted from low-grade deposits containing large amounts of impurities. Extracting the metal by conventional methods (smelting and electrolysis), while abiding by increasingly tough environmental regulations, means a sizeable hike in the price of copper. MRT is a cheaper way of extracting these strategic metals.

MRT can also take out toxic metals such as lead, mercury, bismuth, antimony and arsenic from waste streams, returning clean water to the environment. New regulations are requiring a lower lead content in tin, used in the packaging, beverage and electronics industries; MRT will reduce lead levels in tin to below 30 ppm, without incurring environmental costs.

What makes MRT attractive, compared with traditional separation by precipitation, ion exchange and solvent extraction, is the speed at which it operates, and a selectivity that does not diminish however low the concentration of the desired metal becomes.

One of the company's earlier successes with the nuclear industry in 1991 was the separation of rhodium from spent nuclear fuel. Rhodium is important as one of the constituents used in catalytic converters, and European demand for rhodium is expected to increase as a result of legislation requiring new cars to be fitted with catalytic converters.

The company has formed an alliance with 3M, the US-based multinational, and Pacific Northwest Laboratories to tailor MRT for talking caesium-137 and strontium-90 out of nuclear waste. This involves using 3M's membrane technology to incorporate IBC's MRT ligands.

Working at the US Department of Energy's Hanford site (a large underground nuclear waste storage facility in Washington state) begins later this year, but tests using non-radioactive caesium and strontium show that the IBC-3M membranes can isolate these metals at concentrations as low as a few parts per billion.

PEOPLE

Brent man's new vocation

Stephen Cuthbert, who quit a year ago as boss of Brent International, the specialty chemical maker, has reemerged as director general of the Chartered Institute of Marketing.

Cuthbert, 51, received over £250,000 in compensation when he stepped down from Brent last August, following growing City discontent about the performance of the company. His early career was spent with Price Waterhouse and he was finance director of Brent from 1976-90 and chief executive from 1990-93.

Cuthbert has been active in the CBI and was chairman of the CBI southern regional council. Sir Colin Marshall, British Airways chairman, who is also president of the Chartered Institute of Marketing, said that Cuthbert's "strong corporate background will give the institute further weight in its urgent task of establishing marketing at the top of every business agenda".

The former CIM chief executive, James McAulish, has retired. He held the post from March 1992.

The CIM, which has a total of 50,000 members and students, is the professional body for marketing and sales, and is particularly known for its training courses.



Non-executives

■ Raymond Seitz (above), until recently US ambassador to the Court of St James's, at THE TELEGRAPH.

■ David Wilbraham, chief operating officer at Laporte, at ST IVES.

■ Gareth Cooper, managing director of Stena Sealink, at EAST MIDLANDS ELECTRICITY.

■ William Reid at DIPLOMA.

■ Hans Reischl, chief executive of REWE, one of the largest food retailers in Germany, is stepping down from BUDGENS.

He will be succeeded by Heinz-Otto Luhr, director responsible for international development at REWE.

■ Steven Mills, managing director of BROMSGROVE INDUSTRIES and one of the architects of its strategy to grow primarily through acquisitions, is stepping down.

His departure is further evidence of the change in direction at the specialist engineering group, where consolidation has replaced diversification as the preferred method of increasing earnings.

Mills arrived in 1987 as part of the management team chaired by Brian Sedghi. Since then, shareholders' funds have expanded to £36m from £5.7m.

But with the accent on organic growth and the number of operating divisions cut from six to three, Mills' financial background has become less relevant. "We do need an engineer at the centre," said Sedghi.

There seem to be no hard feelings about the parting of the ways. Sedghi called Mills "a man in a million" and stressed that Mills would not be severing his links - he would advise on the group's property interests and stay on as an independent trustee of the pension fund.

The decision that Mills would go was taken during discussions at which Mills was present. "The discussions were sensible, amicable, the decisions maturely arrived at," Sedghi said.

The company is now looking for a replacement.

Watery processes

North West Water has appointed a managing director to turn round the fortunes of its process division.

John Beckitt, 46, comes from ICI, where as international business manager for its KLEA business he was responsible for developing, manufacturing and marketing a range of refrigerants as alternatives to CFCs.

His task at the process division will be to reverse the recent decline which has seen profits before interest and tax fall from £19.7m to £8.8m in the last year. The division has suffered from a delay in expected spending on water treatment equipment by US city councils.

Brian Staples, North West's chief executive, said Beckitt was well-qualified to oversee the division's development. "John's wide expertise in developing manufacturing and marketing technical products in an international market makes him the ideal candidate," he said.

"Under his leadership I fully expect the process equipment division will progress strongly to make a valuable contribution to the group's overall performance."

The division, recently created by the merger of North West's process equipment and instrumentation businesses, employs more than 2,000 people in North America, Australia, and Europe.

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Cinema/Nigel Andrews

In praise of femmes fatales

A great many women today are involved in dreadful crimes. We only just recover from one knife-wielding Glenn Close when along comes ice-pick murderer Sharon Stone. A little later, Nicole Kidman and Kim Basinger join the rogues' gallery. And last week a lustful, power-crazed woman known simply as "Queen" abandoned her step-daughter in a forest, causing the girl to fall prey to mineworking dwarfs.

THE LAST SEDUCTION (18) John Dahl

WE DON'T WANT TO TALK ABOUT IT (PG) Maria Luisa Bemberg

ZERO PATIENCE (18) John Greyson

THE EMAGINATOR

five queens, call them Joan Crawford or Sharon Stone or Snow White's step-mother - pop up in history whenever men feel nervous about a changing power balance in the sex war.

Such films have the label "not" attached to them, being sinister, paranoid and lit with the single flickering flame of the director's misogyny. The style is common to the 1930s and the 1940s, since both eras rejoice in a Hollywood patriarchy living in terror of women taking power. The sole difference is that "Feminism Strikes!" (1994) has replaced "Women Take Over The Workplace" (1940s) as the anxiety headline.

The lovely thing about these phobic films is that they suit both sexes. Take John Dahl's splendid *The Last Seduction*, from the man who brought us prior noirs, *Kill Me Again* and *Red Rock West*. Men can swoon at the dominatrix whip wielded (metaphorically speaking) by sultry, dark-haired Linda Florentino, a go-getting wife who gets

tired with \$700,000 of her drug-dealing husband's money. And women can cry "Way to go, Linda!" as she outwits all the men in her life thereafter, from the husband himself (Bill Pullman) to the provincial hick (Peter Berg) with whom she forms a new partnership in crime and carnality.

In the little town of Boston our heroine takes an assumed name, an insurance company job and a season ticket to sexual delirium. Very modernly done, this last No. 40-style censor-dodging innuendo. Straight out with the hard stuff. Girl (Florentino) meets boy (Berg) in her. Girl puts hand inside boy's fly. Girl sniffs withdrawing hand approvingly. Soon they are crawling all over each other in beds and cars and garbage areas.

I hear you tut-tutting already. "No style, no wit, no obliquity!" you tut, thinking back to the days when all Lauren Bacall was allowed to do on screen with Humphrey Bogart was ask him if he knew how to whistle. But *The Last Seduction* has lashings of style - Dahl knows when to fit a lightning storm into the visual heraldry, or when to close in on a cigarette surreally stubbed out in an apple pie - and not a little wit. When the heroine first comes to Boston, she suffers instant culture shock. Everyone in the street says "Good morning" to her; and her startled reaction limns at a stroke the contrast between the ships-in-the-night New York she has left and the dotty, convivial Eden she has arrived in.

There is high-style obliquity too, only not wasted on the labour of being indirect about sex. When Florentino hatches her scheme to get rich as a hit-person - tapping into credit card statements, she tracks down wealthy men who have betrayed their spouses and suggests her services to the wives - the film becomes a delicious black comedy of insinuation. For the great thing about women as prime movers in a plot is that they can draw on decades, or centuries, of supposed gentility in order "innocently" to moot the unmentionable.

Another heroine who knows her mind and mobilises it is the mother in Maria Luisa Bemberg's *We Don't Want To Talk About It*. This Argentinian film comes from the lady who gave us *Miss Mary and I*, *The Worst Of All*. Bemberg's tales of sex and gonimic violence. The new movie, drawn from a magical realist novel by Julio Llamas, tells of dwarf girl Carlotta, her normal-height widowed mother (the formidable Lusianna Brando) who hopes to marry her off, and Marcello Mastrolanni as a lovestruck charmer who keeps travelling round the world and back again before finally popping the question.

The short/tall, May/December, wanderer/homebody romance plot is just one of the film's offbeat charms. Bemberg draws a rich portrait of a determined woman; and a funny-malicious picture of a little town where gossip is the main industry, closely followed by social hypocrisy. When the Mayor dies in the middle of a wedding - that wedding - everyone pretends not to notice; and he is shoved into a bath of ice-cubes afterwards so as not to spoil the party. Like an impossi-



'Innocently' mooring the unmentionable: Linda Florentino as the prime mover in John Dahl's 'The Last Seduction'

ble wine, at once sweet and dry, the film goes its intoxicating way towards an ending no less startling and funny for being utterly inevitable.

John Greyson's *Zero Patience* is an AIDS musical from Canada. Anything that will shake the grip of this disease - even the use of jollity to judder people into a greater awareness of it - is welcome. But then again (doming film critic's cap): just because a movie is brave and well-motivated does not mean it is any good.

No problem with the giddy production numbers and their up-ours lyrics - "I got Kaposi's! I got Kaposi's!" And all power, in the cause of populist shock therapy, to the chorus of singing splicers.

No, what distresses is the straight-and-stuff stuff. All that rheumatic "comedy" involving Victorian explorer Richard Burton (John Robinson), who has been

allowed a surreal life-extension as a Toronto taxidermist (sic) assembling a multi-media exhibition on the disease's history. With help from the ghost of Patient Zero (Normand Fauteux), the Air Canada flight attendant said to have brought the disease to America, Robinson-Burton emcees the film in his dreadful "English" accent and wages his own brave but boring battle with homophobia.

The movie would love to be ludic and sometimes it is. More often, though, it resembles an ill-edited varsity revue: full of smirking sophomores who think that a mixture of scholarly allusiveness and knees-up vitality will slay them all in the college prom.

Finally, a "Where did you read it first?" footnote. I now demand my own Richard Burton Award for having been the first into uncharted cine-territory. "The Emaginator," newly packing them in at London's Trocadero centre, is a white-

knuckle movie-show cum stunt-ride which you really should experience. You roll and pitch in a movement-simulator seat while watching frighteningly realistic footage of speedy mountain roads, corridors in space, dangerous mine tunnels.

The reason the film is so vivid is that it was shot at an all-but-flicker-free 60 frames per second, in a system first promoted under the name "Showscan." FT readers will have learned of this in March 1988, when I brought the news of techno-break-through back from Hollywood.

Back then I was asking, Why can they not introduce this system into feature films? Now I ask it again. We know the usual answer: money. But it is time we all spoke up and said to Hollywood, "Stop. Change direction now!" We would surely rather have millions spent on a serious advance in screen technology than tens of millions spent on those production values and ageing, overpaid stars in summer rubbish like *The Flintstones* and *Maverick*.

Ballet

Pages's 'Renard'

In this week's triple bill, just as the season ends, the Royal Ballet has brought Ashley Page's *Renard* to the Opera House stage. Page created it earlier this year for the welcome and enterprising *Dance Bites* tour which took a group from our national ballet to smaller regional theatres with newly made choreographies. I reported on the piece at its February showing in Leicester. It is characteristic of Page's work that he should choose a fine artist to give the production a vivid painterly image, and Bruce McLaren, who designed Page's *Soldier for Ramberg*, has massed the stage with bold shapes, bold colours.

Stravinsky's *Renard* is an awkward score, embedded in Russian peasant tradition, and nothing Page or McLaren can make it either comprehensible or very entertaining. (In a Diaghilev staging, the faraway characters were performed by acrobats, which suggests a certain despair about the piece). Page's version looked rather better in the closer confines of the Leicester stage than at the Opera House, where its faux-naïveté lose some point. Interpretations at performances on Monday and Tuesday nights were strong, and I much enjoyed the playing of Jonathan Cope as the Fox, Gary Avis as the Goat and Matthew Trent as the Cat.

big, clear dancing. But *Renard* is, I hazard, an impermanence; that caused score and thin narrative do not invite repertory life, well played though the music was under Lional Friend.

Jonathan Cope was also a persuasive Belyayev in *A Month in the Country*. The staging is, alas, now looking very mannered. The characters go through their paces like well-trained circus animals - nipping through various flaming dramatic hoops: putting not a foot wrong, and not a living emotion right. Some interpretations are now baronised, and Ashtonian names, and no-less-necessary Ashtonian chic, are lost in a flurry of silk, lace, ribbons, and other items of old Russian knick-knackery. There is a good deal too much semaphoring going on.

Cope takes the stage and we see a young man of undeniable physical allure, and - rare in this role - potent masculinity, caught up in a turmoil he cannot properly comprehend. The dance is full in tone, full in meaning. The character is alive. So, too, is Sarah Wildor's Vera. Miss Wildor has an inborn sense of how to time and sustain gesture, how to hold emotion on a broad phrase of dynamics: it is the dance equivalent of bel canto. Her Vera, like Jane Burn's sweetly vulnerable performance on Monday night, showed us the girl's heart. Other performances only showed us the clothes. As a crucial narrative note, I record that the footman, Matvey, is now played as one of the lads from Takarazuka, with a good deal more maquillage than credibility.

The bill is completed with David Bintley's *Tombeau*, in gleaming condition. The ensemble is sharp, clear in style; the central performances by Viviana Durante and Bruce Sansom on Monday night were eloquent, elegant - Miss Durante beautifully mondanise in manner. The closing moments in which Sansom circles round his ballerina and sweeps away into the night is a wonderful choreographic image. I still deplore the men's costumes: funeral long Johns that turn them into neckless monsters. The girls in their amethyst trims are beautiful.

Clement Crisp

The Royal Ballet season ends, with a run of performances of *Romeo and Juliet*, on Saturday.

Theatre/Alastair Macaulay

Southerne's 'The Wives' Excuse'



Lesley Manville: a brilliant study in the perils of female wit

Here is a fascinating new old play - one not seen since it was new at Drury Lane just over 300 years ago; it failed then, but succeeds now. It tells a new old tale of men working to manipulate women for their own sexual gratification, and of women resisting those manipulations and exercising their independence they can.

The title is *The Wives' Excuse*, the subtitle *Cuckolds Make Themselves*, and the author, Thomas Southerne, is better known for his tragedy *Oroonoko*. Though parts of the highly complex plot are bewildering, what emerges powerfully is a vivid, serious Restoration Vanity Fair in which *Wives' Excuse* flourishes. The characters repeatedly look vice in the face like their old familiarity, and yet most of them retain a disturbingly sharp moral sense. And while all too many of the men voice a view of women so narrow as to be more or less misogynistic, enough of the women - in very different ways - struggle to maintain their own worth.

While almost all the cream of current Sturford actors are occupied in Adrian Noble's concurrent production of *A Midsummer Night's Dream*, the director Max Stafford-Clark has achieved here such excellent ensemble that not even the weakest individual performances puncture it for an instant. In this production, he achieves results far finer than in his previous RSC stagings of *A Jovial Crew* and *The Country Wife* (the latter currently playing at the Pit) - no doubt because he has found a play here that best speaks his flair for social and sexual criticism.

From the first moment, he creates a convincing and multi-faceted world of refined manners and crude desires. And, best of all, he makes it fast. True, details of the plot whirl past so rapidly that we cannot keep up with them, but this does not matter, for everything shows us a world onstage that rattles along at its own rate and with its own inner life. He even transposes the play into Regency costume to good effect, turning its male rakes into

bucks and beaux who play upon its Empire-lined baronies.

One performance stands out: Lesley Manville as Mrs Wittwood, the most cynical and least virtuous woman in the play. This performance, a model of economy, has wit, danger and complexity. It reaches its peak in a brief soliloquy in which Mrs Wittwood reflects on the dilemma of being known for wit rather than virtue. "Tis not enough for a woman to be handsome; there must be a probability of making that handsome woman kind, to make a man in love with her... Now, from one of my character, who have impudently prated away so much of my time - in setting up for a wit, to the ruin of other people's pleasure and loss of my own - what encouragement for probability can there be, but that, as I have lived a fool, I ought to be repenting, unrepentant, and a maid? If I had died a maid, 'tis but what I deserved for laughing off their charitable design of making me otherwise."

What a speech! - and how freshly

delivered. Without any sacrifice of period style, Manville makes us see Wittwood as clearly as if she lived today, and makes her a study in the perils of feminine wit to be set beside those in Congreve, Austen, Trollope, or Wilde.

The cast is large. It would be easy to pick at flaws in various other performances - some of the better behaved female characters should have as much force, intelligence and inner conflict as Mrs Wittwood - but one's main sensation is of excitement in following so lively and serious a sexual comedy. Puccell songs are sung, albeit with too little confidence or grace, before and during the play, and they beautifully heighten its elegant climate. Julian McGowan's set marvellously looks as if it were built into the Swan Theatre. And the action is so well focused, that it reminds me again that of the RSC's five regular theatres the Swan is the most actor- and audience-friendly.

In RSC repertory at the Swan Theatre, Stratford-upon-Avon.

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FESTIVALS

EDINBURGH

● This year's festival (Aug 14-Sep 3) is one of the most ambitious of recent years, spurred by the opening of a major new venue, the Edinburgh Festival Theatre.
● The drama line-up is headed by Peter Stein and Robert Lepage. Stein presents a Russian cast in a seven-hour production of Aeschylus' *Oresteia* trilogy (Aug 25-28), while Lepage gives a world premiere of his new work *The Seven Streams of the River Ota*, the river which runs beneath Hiroshima (Aug 14-21).
● Among the other theatrical works on offer are Goethe's *Tasso* in an English translation (Aug 15-20); J.M. Synge's *The Well of the Saints* from Dublin's Abbey Theatre (Aug 24-28); two Shakespeare plays - *The Berliner Ensemble's German language production of Antony and Cleopatra* (Aug 16-18) and a French language production from Orleans of *The Winter's Tale* (Aug 23-25); and the UK directorial debut of Luc Bondy in a quintessential international festival production, a

wordless play by Peter Handke involving 30 actors playing 400 characters (Aug 31-Sep 3).

● The dance programme is headed by an Edinburgh favourite, the Mark Morris Dance Group (Aug 20-22). The dance programme also features the Lucinda Childs Dance Company (Aug 23-25) and Merve Cunningham Dance Company (Aug 27-28).
● Beethoven is the main festival composer this year. Scottish Opera presents the opening production of *Fidelio*. All nine symphonies will be played by orchestras from Cleveland, Stavanger and Hamburg, plus the Orchestra of the Age of Enlightenment, as well as the five piano concertos and many of the string quartets. Among the musicians involved are Alfred Brendel, Andras Schiff, Richard Goode, the Borodin Quartet, Frans Bruggen, Christoph von Dohnanyi and Günter Waad. Chamber is the other featured composer, with performances of three of his stage works. Roderick Brydon makes a welcome return, conducting the Australian Opera's production of Britten's *A Midsummer Night's Dream* (Aug 25-27). Donald Runnicles conducts the opening performance of Mahler's Eighth Symphony on Aug 14, and Charles Mackerras the closing performance of Elgar's *The Dream of Gerontius* on Sep 3.
● Official Festival: 031-225 5756. Fringe: 031-226 5257

GLYNDEBOURNE

The remainder of the season consists of Glyndebourn's classic production of *The Rake's Progress* in David Hockney's sets (August 5, 8, 11, 14), a

revival of Trevor Nunn's 1992 production of Peter Grimes with cast headed by Anthony Rolfe Johnson and Vivian Tierney (Aug 6, 9, 12, 15, 17, 20, 23, 25), and the new Simon Rattle/Deborah Warner production of *Don Giovanni*, with a cast led by Gilles Cachemille (tonight, Aug 7, 10, 13, 15, 19, 21, 24). The verdict so far on Glyndebourn's new theatre has been extremely positive. (0273-541111)

LUCERNE

Under Matthias Bamert, Switzerland's premier music festival has taken on an adventurous slant. Foral points this year (Aug 17-Sep 10) are a 70th birthday tribute to Swiss composer Klaus Huber (whose new piano concerto will be premiered by Andras Schiff) and a wide-ranging exploration of the way music is interpreted. Four different performances will be built around Schubert's *Winterreise*, including a new opera. There will also be a series of offbeat events breaking all the rules of traditional concert form. The conventional side to the festival is as strong as ever, with leading orchestras from Berlin, Vienna, Amsterdam, Cleveland and Dresden, and conductors ranging from Colin Davis and Claudio Abbado to Kurt Sanderling and Paul Schacher (041-235272)

MACERATA

This year's operas are *Carmen* (till Aug 11), *La bohème* (till Aug 12) and

L'elisir d'amore (opening tonight). The Bizet, conducted by Alain Guinard and staged by Gilbert Deflo, has changing casts including Denyce Graves/Lucia Valentini Terrani in the title role and Neil Shicoff/Fabio Armillato as Don José. Giusy Devinu sings Mimì in the Puccini, and the Donizetti cast is headed by Valeria Esposito, Pietro Ballo and Enzo Dara (0733-230735)

MONTREUX

Montreux offers a sultry setting on the shores of Lake Geneva and a haphazard collection of orchestras and soloists from the summer festival circuit. This year's programme opens on August 21 with a Pollini recital and ends on September 23 with Martha Argerich playing Beethoven's Second Piano Concerto, accompanied by the Lyon Opera Orchestra. Other visitors include Anne Sophie Mutter (Aug 24), the Pittsburgh Symphony Orchestra (Aug 25), Riccardo Chailly and the Royal Concertgebouw Orchestra (Aug 31), Ton Koopman and the Amsterdam Baroque Ensemble (Sep 5) and the Orchestra of La Scala Milan with Carlo Maria Giulini (Sep 8). Most events take place in the cavernous modern Auditorium Stravinsky (021-963 5450)

PESARO

This exquisite walled town on the Adriatic was Rossini's birthplace. Each year it brings together gaudy lovers of the Italian maestro's music,

who come to explore some of his lesser-known operas, alongside bucket-and-spade beach-goers. This year's programme (August 11-29) includes a new production of the one-act drama *Inganno* by Federico Felice, staged by Graham Vick and conducted by Carlo Rizzi; a revival of the 1992 production of *Semiramide*, with Roger Norrington making his Pesaro conducting debut; and *Il Tulliano* in Algeri starring Jennifer Larmore (0721-331184)

SAN SEBASTIAN

This year's festival (Aug 10-31) includes Carmen with Denyce Graves; concertos featuring the Royal Liverpool Philharmonic Orchestra, the English Baroque Soloists, Ruggiero Ramondini and Christian Zacharias; and an impressive series of church concerts (Quintetna Musical, Teatro Victoria Eugenia, Reina Regente s/n, 2003 San Sebastian, Spain. Tel 043-481238 Fax 043-437002)

SANTA FE

Santa Fe has just given the Adriatic premiere of Judith Weir's *Blond Eckbert*, less than four months after it was unveiled by ENO in London (till Aug 12). Francesca Zambello produces this and *Il barbiere di Siviglia* (till Aug 26). This year's other new productions are *Tosca*, directed by John Copley with Mary Jane Johnson in the title role (till Aug 27), and *Enfurchung* directed by Graham

Vick (till Aug 24). A revival of Göran Jarvafelt's 1984 production of *Intermezzo* completes the bill, with Sheri Greenawald and Dale Duesting as the Storchs. And the pleasures of the place itself never pall (505-866 5900)

SANTANDER

A baritone gala concert on Sat features Giuseppe Taddei, Piero Cappuccilli, Leo Nucci, Paolo Cavanelli and Juan Pons. The Kirov Opera ensemble is scheduled to present Boris Godunov on Aug 12. Other visitors include the Dresden Philharmonic Orchestra, Georgian State Opera Ballet, King's College Choir of Cambridge, Anne Sophie Mutter and Prague Chamber Orchestra. Ends Aug 31 (Festival Internacional de Santander, C/ Gamazo s/n, 39004 Santander, Spain. Tel 042-314819 Fax 042-314767)

TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. This weekend's concerts are conducted by David Wroe and Seiji Ozawa, with a line-up of soloists including Emanuel Ax, Joshua Bell and Yo Yo Ma. Sunday afternoon's programme includes John Harbison's new cello concerto. Next week's concerts feature the Vermeer Quartet, the Pittsburgh Symphony Orchestra and a performance of Khachaturian's Violin Concerto by Itzhak Perlman. (Ticketmaster Boston 617-431 2000 Western Massachusetts 413-733 2500 New York City 212-307 7171)

Right man at the right time



Do exceptional individuals make history or are they the blind instruments of deeper structural changes? In the case of economic policy in the 1980s, the personal ideologies of leaders such as Ronald Reagan now seem less important than pundits once thought.

This, at any rate, is the drift of Professor Martin Feldstein's argument in this cool appraisal of a still controversial decade. Reagan's push for sharply lower tax rates, deregulation and smaller government (except defence) aroused intense opposition, especially among left-wing Democrats. Yet Feldstein argues convincingly that such reforms were a logical - probably inevitable - reaction to changed circumstances.

He points out that the post-war Keynesian policies attacked by Reagan had become anachronistic. They were an emergency response to frighteningly high levels of unemployment and unused capacity in the Great Depression. The magnitude of this crisis prompted economists to drop their usual emphasis on incentives and efficiency and stress instead the importance of demand management and government intervention.

Yet since demand deficiency was never a serious problem after 1945, at some point a renewed focus on economic incentives and entrepreneurship was all but inevitable. Within the economics profession, the shift began in the 1970s as economists such as Feldstein began to emphasise the adverse effects of high marginal tax rates and generous government transfer programmes. Meanwhile, the pernicious interplay of high inflation and an unindexed tax system destroyed returns on many forms of saving and investment, fuelling popular demands for reform.

The claim that something akin to Reaganomics was inevitable gains plausibility if you recall that market-friendly reforms were adopted (to a greater or lesser degree) in nearly all industrial countries in the 1980s, including nomi-

AMERICAN ECONOMIC POLICY IN THE 1980s
Edited by Martin Feldstein
University of Chicago Press
\$75, 323 pages

nally socialist regimes. And although enthusiasm for free markets has waned somewhat since, there has been little backsliding - nobody seems to want the penal income tax rates of the 1970s.

In Feldstein's view, Reagan was smarter than generally recognised. He handled meetings adroitly and managed to "convey a clear sense of policy direction without limiting his future flexibility". Unlike George Bush, he avoided theatrical "read my lips" type commitments on future policy. He sincerely believed in low taxes and smaller government, but was not an extreme supply-sider. In private conversation he showed few signs of believing that income tax cuts would boost growth sufficiently to be self-financing.

Feldstein has little doubt that Reagan was a net plus for the US economy. In the approach to the 1982 congressional elections, with the jobless rate above 10 per cent, Reagan staunchly supported the Federal Reserve's tight monetary squeeze, thus ensuring that double-digit inflation would be tamed. He improved incentives by reducing tax rates at all income levels, by indexing allowances for inflation and by eliminating many loopholes; the top rate fell from 70 per cent to 28 per cent, before rising under Bush. Although he failed to cut overall public expenditure, he did reduce discretionary spending from 7.9 per cent of gross domestic product in 1980 to 6.1 per cent a decade later, no mean achievement given Democratic strength in Congress.

There were setbacks. Despite an aversion to high taxes, Reagan signed a tax bill in 1986 that raised the capital gains tax by 40 per cent. He agreed a big increase in social security contributions, thus securing the long-term future of a public pension scheme that he once hoped to privatise.

The biggest irony, of course, was that Reagan, a politician

ostensibly committed to balanced budgets, presided over record federal deficits. Feldstein does not minimise the damage they did by depressing the US savings rate. But he does argue, plausibly, that having created deficits, other much-criticised aspects of policy then made sense. Thus the trade deficit enabled the US to borrow from abroad and sustain a much higher rate of investment than would otherwise have been possible. The dollar's volatility, meanwhile, was the only practical way of resolving the inconsistency between monetary and fiscal policy.

There is one defence of deficits that Feldstein might have emphasised. This is that they acted as a crude brake on public spending. Had Republican presidents raised taxes to keep pace with the spending demands of congressional Democrats, expenditure would have spiralled upwards even faster. And if Bill Clinton had inherited a balanced budget, you can be certain that the US would today be embarked on a far more ambitious programme of public investment.

Feldstein and other contributors leave their analysis with vivid personal recollections, making this a surprisingly readable as well as scholarly volume. Topics covered include monetary, budget, tax, trade and regulatory policy. Yet there is one striking omission. Feldstein finds room for a chapter on health and safety regulation, yet unaccountably ignores the US labour market.

There is little discussion of the Republican success in creating some 20m jobs or of its controversial policy changes, such as the phasing out of many public training programmes. And the book is silent on what has become the principal criticism of Reaganomics - the fact that stagnant or declining real wages for many workers led to greater inequality of income and wealth. Yet it was this shift that created the sour public mood of the early 1990s - a mood that enabled the Democrats to regain control of the White House.

Michael Prowse

ity Japan's poor politicians. While their European counterparts head for Tuscany or the beach for their August break, Japan's politicians will be hard at work, in Tokyo's choking heat and humidity, for the second summer in a row.

Take the leaders of the fragmented seven parties of the mainstream opposition. They will spend much of the next few weeks talking - in a meeting room in the Hotel Okura, an ostentatious 1950s building in central Tokyo - about how to forge a single grand party.

The hotel is favoured by former prime minister Toshiki Kaifu, who defected from the LDP to the opposition last month, for the discretion of its staff and its pleasant swimming pool. His chances of becoming prime minister again will sink or swim on the result of these talks.

This time last year, what is now the opposition was struggling to form a coalition government after a general election ended nearly four decades of rule by the conservative Liberal Democratic party. Three governments later, the LDP has schemed its way back into power by forming a curious partnership a month ago with its former arch-enemy, the left-wing Social Democratic party.

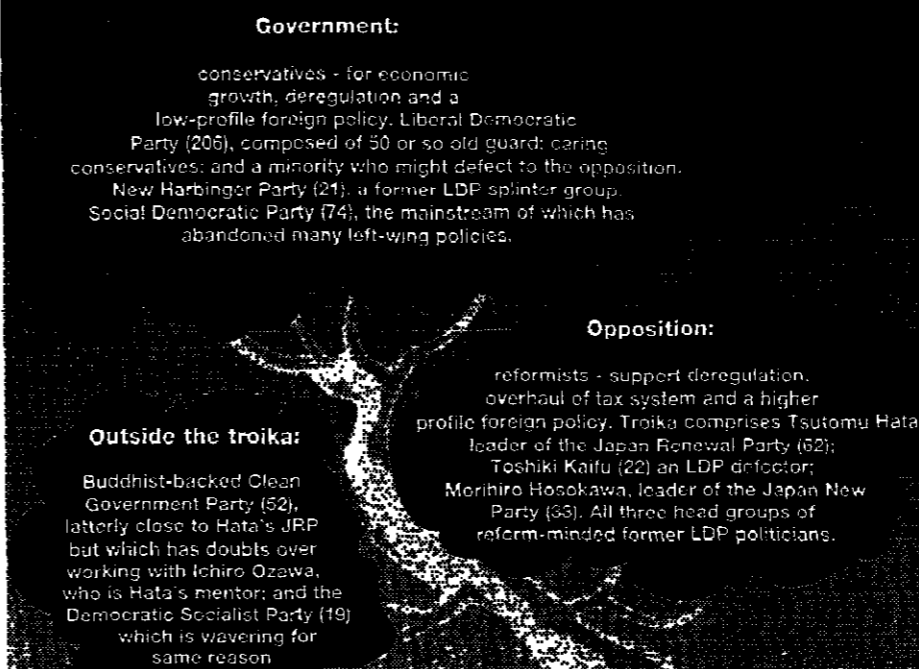
The old structure of Japanese politics has been turned upside down in the past year.

The aim of the Okura talks is to regroup into a single large opposition, informally christened *Shin-shinto* or the "New New party", capable of challenging the LDP-SDP alliance in a general election. A troika of former prime ministers, Mr Tadamasa Hata, Mr Morihiro Hosokawa and Mr Kaifu, met in the Okura on Thursday, for the second time, in an attempt to get *Shin-shinto* moving.

For its part, the new government will be just as busy. Cabinet ministers will be locked in parliamentary committee meetings churning through the backlog of urgent legislation, from tax reform to the redrawing of electoral boundaries, delayed by the past year's epic power struggles.

While the politicians toil, the public can look forward to a novel experience, a return to a period of stability. The heat wave, dog shows and the import bargains resulting from the high yen have over the past weeks supplanted politics

Japan's political tree



Japanese politicians are spending August locked in cabals and committees, says William Dawkins

Summertime, and the going is busy

as the top items on television news.

It is no surprise that politicians have decided to go backstage. Voters have given up trying to discern the difference between the New New party, the Japan Renewal party, the Japan New party, the New Harbinger party and the New Future party. And the likely date of the next election is receding by the day.

When the LDP-SDP odd couple took power a month ago, it seemed they would only just manage to suppress their policy differences until the autumn, when new electoral boundaries are due to be in place. This was generally accepted as the first opportunity for an election under Japan's recently reformed political system.

Now politicians in both government and opposition are talking about an election for the lower house, the more powerful of the two chambers, some time after the upper house elections next July. Japan's prime minister looks set to stay in office at least long enough for people to remember his name. Mr Tomichi Murayama, the first Socialist in the job for 47 years. Both government and opposition have good reasons, political and financial, to keep him there.

For one thing, the LDP and SDP are getting on better than either side had dared hope. The pacifist Mr Murayama, with the tacit support of a majority in his party, has leaned to the right. He has, for example, dropped the Socialists' most

extreme dogma, which included opposition to the US-Japan security treaty and a belief that the military is unconstitutional.

In return, the LDP, the coalition's senior partner, has curiously inclined to the left. It has said it might accept Socialist demands to curb military spending and has agreed to defer indefinitely a rise on consumption tax - a nod to almost the only Socialist policy the leaders of Japan's SDP still uphold.

The opposition, meanwhile, needs several quiet months of backroom bargaining to create its super-party. Mr Ichiro Ozawa, the opposition's strategist, broke a month-long silence recently when he claimed that the new party would pull together enough

lower house members by the end of next month, to out-vote the LDP, with its 206 seats.

He may be too optimistic on the timing, given the reservations held by some potential *Shin-shinto* members over working with the accident-prone Mr Ozawa, who contributed to the demise of the previous government by driving the Socialists out of the old coalition and into the arms of the LDP.

Yet the incentive to unite is strong. In its present fragmented form, the opposition will be too poor to compete against the government in the next election, explains a former cabinet minister. The detail of a new law to control political funding explains why.

Corporate donations to politics have dried up over the past year, which means that political parties will have to rely on state subsidies, paid under the new funding law from next January. One feature of the funding rules, inserted to win a reluctant LDP's support, is that they favour large parties such as the LDP.

A ¥700m annual subsidy is to be shared out between parties, in proportion to the number of lower house seats; but the subsidy for any individual party is subject to an upper limit determined by its annual turnover.

That means the LDP and SDP, with their high spending, qualify for a combined subsidy of ¥900m next year, while a small new party run on a shoestring, such as Mr Hosokawa's Japan New party, gets only ¥200m, says the former minister.

If the troika of former prime ministers now in opposition manages to round up all 220 people who supported Mr Kaifu after he left the LDP to stand against Mr Murayama last month, it could qualify for as much as ¥150m of subsidy, he explains. That is a compelling reason for *Shin-shinto* to come into being.

Money politics are as present as they were in the old days before political reform. At least the rules of the game, as it unfolds round the Hotel Okura swimming pool over the next few weeks, are official. The new funding system might, despite its imperfections, put pressure on Japan's politicians to move towards the simple two- or three-party system that the original reformists had in mind.

LETTERS TO THE EDITOR

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Training needs benefit of charitable status

From Mr F Benison.
Sir, Recent comment by the Duke of Edinburgh and the Home Office about the charitable status of many organisations in the UK may have created the impression that the only objective of any charity is the relief of poverty. The argument appears to be that, if poverty does not exist, charities may not need to exist either. This is clearly a nonsense.

As chairman of the National Training Federation - which has many members that are registered charities and fulfil a vital role in the education and training of individuals for employment - my concern is that, in any proposed clear-out, the baby should not be thrown out with the bath water.

Given acceptance that education can have acceptable charitable status, it is one thing to criticise a small private school for charging itself a charity to gain tax and other financial advantages. It is another thing

entirely to knock an organisation which exists to provide training or education for otherwise disadvantaged people - and help them back into work. Many people will, I feel sure, see this as an altogether proper use of, and destination for, such relief as is available for those given charitable status.

The time may well have come to take a close look at the number of bodies sheltering beneath the charity umbrella. But, rather than make a blanket declaration or decision on eligibility, let us have a careful reassessment of qualifying criteria so that end-users with real needs (which are currently being met by registered charities) will continue to be well served under any new regime.

F W Benison, chairman, National Training Federation, PO Box 4, Atherstone, Warwickshire CV9 1BE

No planning in job losses

From Mr Keith Flett.
Sir, It is disturbing that such a large company as BT still feels unable to plan its job reduction programme over a period of time and therefore avoid any need for the unpleasantness and bad publicity that goes with compulsory redundancy ("BT plans to shed 50,000 more jobs", August 1). It is particularly noticeable that while Sir Iain Vallance talks of the need for a further 50,000 job

losses he suggests no valid reason as to why this might be necessary. One would have thought that with the expansion of telecommunications more rather than less staff might be a more sensible forecast for the medium term. Keith Flett, secretary London HQ branch, Society of Telecom Executives, 38 Mitchley Road, Tottenham, London N17 9EG

Tender process does not lead to best solutions

From Ms Pauline Grant.
Sir, I wonder if organisations which invite consultants to tender for business are aware of an increasingly counter-productive trend. Tendering is becoming more widespread, particularly in the public sector under pressure to demonstrate that it is able to manage costs in a business-like fashion. Indeed, increasingly we are being asked not just to tender for work, but to spend a great deal of time compiling information in order to be placed on the list of those who might later be invited to tender.

The words "market testing" might thrill civil servants, but they send a chill of horror through the hearts of a great many small consultancy outfits. There is a strong feeling that responding to tenders in the "softer" areas such as management development is in effect giving away free consultancy. This is very different from tendering to more technical specifications where it is entirely appropriate to compare costs of using one provider rather than another. Cost comparison is

rarely the best means of evaluating tenders in non-technical areas.

Tendering takes time, and time is what consultants sell. Time not only to put the response together, but to hold discussions with the inviting organisation so that it is offered what is believed to be the best solution. However, this is not charged to the inviting organisation - even travel expenses have to be absorbed - and therefore becomes a hidden cost to other organisations with which they work. This is grossly unfair.

If those who can provide the best solutions are being deterred from offering them, something is going badly wrong. The original intention is not being achieved and some more creative thinking is required to provide an effective alternative that will encourage providers to encourage rather than put them off. Pauline Grant, senior consultant psychologist, Independent Assessment and Research Centre - Ashridge, 17 Portland Place, London W1N 3AP

Wrong chemistry for president

From Mr Daniel Alexander.
Sir, Democrat Jim Hightower, who described President Clinton as "thixotropic" (Observer: "Quality test", August 3), may know his politics but he doesn't know his chemistry. A thixotropic substance is fluid when it is stirred and solid when left to

stand (not, as he apparently said, solid until heat is applied).

But his analogy works. The message is: if you want a solid president, stop stirring. Daniel Alexander, 8 New Square, Lincoln's Inn, London WC2A 3QP

Poverty: a limited truth, but alarm bells should be ringing

From Ms Gabriella Cox.
Sir, There is only limited truth in the assertion by Mary Campbell (Personal View, August 2) that the government's Households Below Average Income statistics give an incomplete picture of poverty in the UK. She is right that to talk of vast increases in people in poverty is unhelpful if the benchmark has itself risen dramatically, as is the case with average income. However, she overlooks the fact that more people are now living on income lower than half the 1979 average than was the case in 1979. Thus, in 1979,

9 per cent of the population (5m people) were living on income less than half the average. If this 1979 income figure is updated by inflation, we find that 11 per cent of the population (6m people) have income below this level. There is a particular impact on children, with rises from 10 to 15 per cent and from 1.4m to 1.9m children.

These figures are after housing costs. Such a measure gives an indication of the amount of income a family has to live on after the key component of housing has been accounted for. Before housing

costs, income has risen for many families not because they are better accommodated, but because the government has forced up both council and housing association rents through its housing finance policy, leading to increased income in housing benefit.

Mary Campbell calls for statistics which reflect people's needs. She seems to be unaware that the low income families statistics, which related income to what a family would get on benefit, were discontinued by the government. However, a report for the social security committee

showed 11.5m people living on or below income support rates of income in 1989.

Alternatively, the figures for means-tested benefits should sound alarm bells. In 1979, 7.9 per cent of families with dependent children claimed one or other of the two key income support benefits, but by 1992 this had risen to 31.2 per cent. The debate on what to do about poverty is not helped by suggesting the problem is not really very serious one.

Gabriella Cox, Campaign Against Poverty, 47 Upper Lloyd Street, Moss Side, Manchester

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Thursday August 4 1994

Paradise lost in housing

In one of Mr John Major's most successful attempts to set out a vision for the future, he told the 1991 Conservative party conference of his desire to see wealth cascading down the generations. The house price rises of the previous decade made such a dream seem plausible.

Many ordinary people found that the increase in value of their homes had made them wealthy beyond their dreams - on paper at least. Forecasters predicted a surge in spending for people in their fifties and sixties, who would inherit their parents' properties. A golden generation would have money to burn on their own homes, cars, holidays and personal services.

The vision looks a little less plausible now. For well over a million households, owning a home is a net liability - their mortgage is greater than the current value of their home. Negative equity is largely concentrated in the south of England, where the housing market enjoyed the largest rise and suffered the deepest slump. But even here its impact is uneven: some areas are afflicted much more than others.

Where it coincides with pockets of unemployment in former growth areas such as Essex and southern Hampshire it holds back the growth of local economies.

Negative equity also affects some social groups more than others. A study published today by the Joseph Rowntree Foundation finds that it overwhelmingly hits owners under 40. People in professional and managerial occupations are most likely to be affected. They are the wealth creators of the future, but they cannot move house to find better jobs, or easily raise capital to start a business.

Low inflation

The foundation's study also says that average house prices would have to rise 15 per cent to eliminate this negative equity. Current trends in the housing market are hard to read, with monthly house price surveys showing weak price rises, low activity and little sign of any consistent recovery. This is not a cause for despair: in an ideal world, house prices would increase no faster than inflation. But if the chancellor's promise of low inflation proves true, it could

be the end of the decade or beyond before the blight of negative equity is lifted.

A second study published yesterday by the foundation suggests that the cascade of wealth may be rather more of a trickle than a torrent. In 1992, 140,000 homes were inherited, and over the next 20 years the number will not rise much above 200,000 a year. The study predicts that this could release almost £15bn in 2000, compared with £7bn now. But it adds a warning that most of this money will not find its way into consumption. Only a fifth will flow into consumer spending while the rest is reinvested. No cornucopia here.

Ageing population

And it would be unwise to assume that even these more modest amounts will be available. One consequence of an ageing population is an increasing bill for the care of the elderly. In the past, such care might have been provided by the welfare state; increasingly, those with assets are expected to pay some or all of the cost themselves. As the pressures mount on welfare spending, elderly home owners will have to sell their assets in order to pay for long-term care.

This is entirely appropriate. What else, after all, is the point of acquiring wealth except to pay for the comforts of life? The idea of leaving assets to your children is an attractive one, and often a strong motive behind wealth-creation. But it cannot be financed at the expense of the state. It would be wrong for low-income taxpayers, perhaps working long hours for low wages, to have their taxes raised to support asset-rich pensioners.

Many of those who were beguiled by the vision of a cascade of wealth may feel cheated by these harsh realities. Far from inheriting a pot of gold on the death of their parents, they may find little left after the bill for their care has been paid. It may be many years before their own home is worth more than the money they owe on it. They can console themselves, however, that one consequence of a saner housing market should be that it will become that much easier for their own children to find somewhere to live in the future.

Strains in the new South Africa

Convention usually allows new governments 100 days before critically appraising their performance. But South Africa's wave of strikes, together with signs of tensions in the government of national unity, suggest that President Nelson Mandela's post-inauguration honeymoon is over before this traditional period of grace has expired.

Ironically, his most serious challenge is orchestrated by the African National Congress's long-standing ally, the Congress of South African Trade Unions (Cosatu). More than 100,000 workers have gone on strike for higher wages, with Cosatu's blessing. Many of its most experienced leaders, whose pragmatism contributed greatly to South Africa's remarkable transition, are now in the national or provincial governments, or hold jobs in the private sector. Their successors in the union movement have yet to be persuaded that South Africa needs a social compact which will put job creation before higher wages that erode its ability to compete in international markets.

The workers' impatience to see the benefits of the post-apartheid era are understandable. In their view, Mr Mandela has done more to set at rest whites' fears than he has done to meet black expectations since he was sworn in on May 10. Fiscal discipline was the watchword in the June budget, which left many blacks disappointed and dashed trade unions' hopes that zero-rating on VAT would be extended to a wider range of staples. Yet it brought a sigh of relief from whites, who regarded a 5 per cent surcharge on income tax a small price to pay for the successful transition.

Inexperienced team

Since then the government has appeared immobilised, moving painfully slowly to implement key pledges in its election manifesto. An inexperienced team of ANC ministers and officials is short of expertise, while the civil service's middle and upper echelons are dominated by whites who for the most part support the National party. An ambitious housing programme with the aim of building 1m units in five years has yet to get under way, as the government weighs the merits of build-it-your-

self schemes against fully-developed housing estates. The former are quickly delivered, but can easily become urban slums; the latter are more costly but more likely to meet black expectations.

Reform is proceeding painfully slowly in a second area critical to the ANC's popularity. Promises to redress inequalities in land distribution, whereby 87 per cent of land remains in white hands, are constrained by provisions in the bill of rights and by concern not to disrupt commercial agriculture.

Power centres

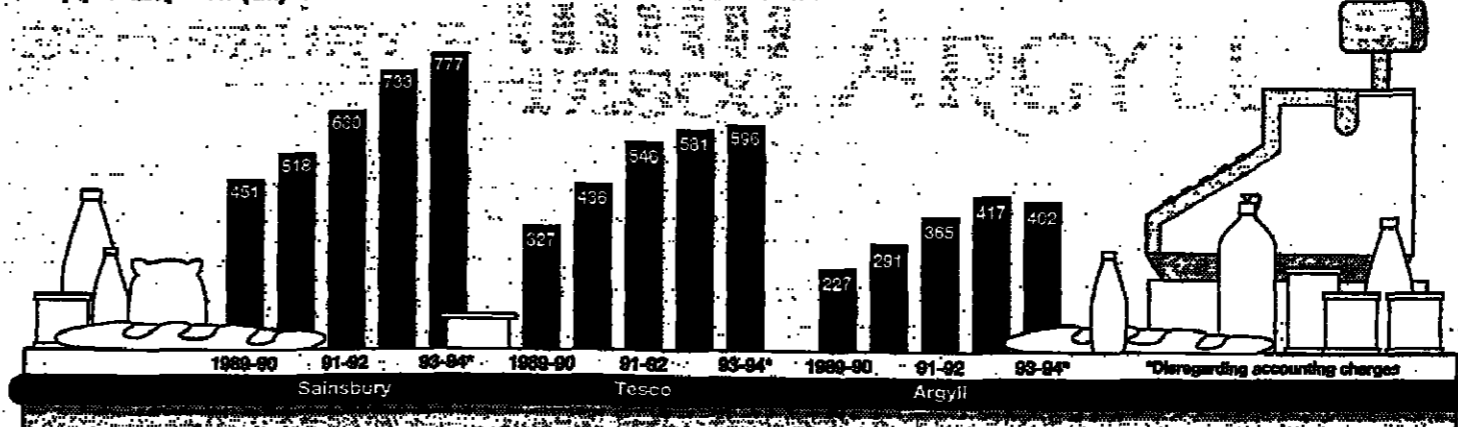
The government also faces potential problems from an unexpected quarter. Although seven of the nine provincial governments are controlled by ANC delegates, they are becoming power centres in their own right.

The list of Mr Mandela's difficulties does not end there. Natal has yet to find peace, while a proposed investigation into human rights abuses during the apartheid era - the so-called "truth commission" - could easily add to the strains. Meanwhile the National party, led by deputy president FW de Klerk, is showing signs of dissatisfaction with the coalition, wondering whether its chances in the next election might be better served in opposition. Although a junior partner, its co-operation is essential to the success of the country's Reconstruction and Development Plan.

These problems need be no more than teething troubles, and they must be placed alongside what has already been achieved. This is easy to underestimate. The threat from the right that once appeared capable of destabilising the entire transition has been defused if not destroyed. Hundreds of millions of dollars of aid have been promised, and a sensible plan exists for spending them on tangible improvements in the quality of life of millions of impoverished blacks. Meanwhile all over the country the transformation quietly continues, as residents of white suburbs and black townships find ways to co-operate in local government and to integrate state-owned schools and hospitals. The imperative that brought South Africa through its election holds good in its new era: better a slow start than a false start.

UK supermarkets: where will their bread and butter come from next?

Group pre-tax profits (£m)



The battle for control of Scottish supermarket group William Low was the first bidding war between the UK's two largest grocery retailers - Tesco and Sainsbury. It may not be the last.

Tesco won the fight yesterday with a bid of 360p a share, valuing the 57-store Wm Low group at £247m - some £93m higher than its original bid three weeks ago. Sainsbury, which bid 305p last week, decided the price was too high and withdrew, saving itself for other fights ahead.

Other contests are almost certain to follow. The two grocers went into battle for control of Wm Low not just because of the opportunity it offered to buy market share quickly in one of the few regions in which both are under-represented. They were also motivated by the changing structure of the industry, which has raised the question of whether the big groups can continue to expand by building new supermarkets. They may have to look elsewhere - overseas or back in the high street - for earnings growth.

From the mid-1980s until late 1992, profits and share prices of the "big three" grocery retailers - Sainsbury, Tesco and Asda (owner of Safeway) - soared as they moved hundreds of stores from high streets into purpose-built, retailing palaces on the edge of towns. By getting ever better deals from suppliers, increasing the proportion of higher-margin own-label products, and introducing sophisticated computer and distribution systems, they nudged up profit margins.

Last year, however, food retailers' shares began to underperform the market as the City realised that the formula for growth could not continue for much longer. The £10bn spent on building new supermarkets by the big three in the previous five years had led to a shortage of possible sites in parts of the country. Moreover, since 1990 a new breed

Still shopping as the margins drop

Now the battle for Wm Low is over, where will big UK food retailers find growth opportunities, asks Neil Buckley

of foreign discount grocers - limited-range, low-priced stores - had taken root alongside the established UK discounters, Kwik Save, and threatened to force supermarkets to cut prices.

Fears about growth prospects were initially played down by the supermarket groups, but the events of the past year have marked a watershed.

May 1993: Gateway, the UK's sixth-largest supermarket, opened price skimming by permanently reducing the cost of 1,000 products. July 1993: Mr Archie Norman, chief executive of Asda, the fourth-largest supermarket group - which also cut prices - warned "halcyon days" were over for food retailers. August 1993: Intensifying the price war, Tesco launched a "Tesco Value" range of cheap own-label products designed to counter the threat from discounters.

October 1993: Sainsbury cut the price of 300 own-label products indefinitely.

December 1993: Asda became the first supermarket group to announce it was reducing its spending on expansion. It also began to depreciate the value of existing stores in its accounts. Its move was soon followed by Tesco and Sainsbury. All admit price competition has hurt the gross margins.

April-June 1994: Sainsbury and Tesco reported their smallest profits increases for a decade; Asda

reported its first profits fall.

The question now is whether price competition will continue to escalate, leading to a downward spiral in margins. Mr Jeremy Almon-Jones, European retailing analyst at US investment bank Lehman Brothers, points out that the big three food retailers are still committed to spending more than £1bn a year until 1997 on new stores. In a saturated market, he argues, they may be forced to keep cutting prices in an attempt to achieve enough sales through these stores to earn a return on their investment.

Such an outlook might be too pessimistic. While parts of the UK have little room for new supermarkets, some areas are under-provided - most obviously Scotland.

Moreover, the big grocers argue that, although margins have fallen, they will not necessarily continue to decline. Sir Ian MacLaurin and Mr David Sainsbury, chairmen of Tesco and Sainsbury, both referred to the competition from the discount chains, when they unveiled their latest results in April and May respectively. They said reducing prices on the kind of basic products sold by the discounters had neutralised the threat. "We have really hurt the discounters. They have no room to cut prices further," Mr Sainsbury said.

Discounters are indeed finding

life difficult. Shares in Shoprite, the discount grocer which operates mainly in Scotland, plunged last month after profits for the six months to May came in well below expectations and the company warned that full-year profits would be similarly disappointing.

Nevertheless, the continuing price competition from the discounters means margins are unlikely to creep up again. Moreover, even if there are still places where the groups can build new supermarkets, this is unlikely to be the case by the end of the century. Both factors will make supermarket expansion in the UK less attractive.

How, then, can the supermarket groups continue to grow? One possibility is that they may begin to put stores back into the high street. Tesco and Sainsbury have developed small town-centre formats, Metro and Central respectively.

They say increased buying power and efficiency means they can trade more profitably from small stores than they could 10 years ago. That, combined with the comparatively low cost of leasehold property for small stores, means they can earn similar returns from these stores as from freehold supermarkets.

Sir Ian MacLaurin said yesterday Tesco had identified 80 potential sites in the UK for its Metro stores and estimated that, in spite of the supermarket expansion of recent years, 30 per cent of grocery spend-

The top 10 food retailing groups

Rank	Group	% Market share
1	Sainsbury	15.06
2	Tesco	13.47
3	Asda	9.47
4	Asda	8.04
5	Somerfield (Sainsbury)	5.36
6	KwikSave	4.90
7	Morris & Spence	3.94
8	CWS	2.94
9	Wm. Morrison	2.58
10	CBS	2.16
Total		67.90

Source: Company reports and accounts, Year-end

ing was still in high-street shops. "That is clearly an opportunity for us. We have the technical skills to run quite small stores profitably now," he said.

The battle for Wm Low could thus be followed by further bids from the big three grocers for smaller supermarket groups with high-street stores, such as Gateway, Iceland or the Co-operative retailers. But with a typical Tesco Metro only a quarter the size of a new supermarket, moving back into the high street will not offer the same scope for growth as supermarket expansion did in the 1980s.

Another option for expansion may be to go into other forms of retailing. Sainsbury has tried this with its Homebase DIY and Savacentre hypermarket chains. It says these will account for increasing proportions of capital spending in coming years.

Similarly, the big three, which have long operated petrol stations alongside their supermarkets, may become operators of standalone petrol stations. Tesco is already doing so at three London sites; Sainsbury is considering it.

A final expansion route for UK supermarket groups is likely to be acquisitions abroad. Tesco bought the 92-branch Cateau supermarket group in France last year, and admits this was a way of gaining overseas experience with a view to other purchases. In 1987, Sainsbury bought Shaws, the US supermarket chain of 87 stores, and says it will examine opportunities to add to that chain.

UK retailers' experience overseas has been mixed. Marks and Spencer, for instance, has struggled to make north American acquisitions perform well - though it has had more success in Europe. But as opportunities for building out-of-town supermarkets dry up and the limited potential for returning to the high street is filled, the next wave of expansion may have to be overseas.

Michael Holman on a fitting fate for the United Nations Industrial Development Organisation

UNloved, UNwanted

You may have missed it, but 1990 to 1993 was the Industrial Development Decade for Africa. It had no impact whatsoever on the continent the first time round, but the perpetrator of this exercise in wishful thinking, the United Nations Industrial Development Organisation (Unido), appears to work on the principle that Pook Bore applied to his Hums.

Pook, it will be recalled, managed the first line of Hum without difficulty. "Sing Ho! for the life of a bear," it sounded splendid, but what came next? Pook got stuck, until he had a brain wave. He would sing it very fast, in the hope the second line would just pop out.

So will you please welcome the Second Industrial Development Decade for Africa. There is not quite the same ring to it, for Unido seems to have been caught napping. The second decade runs from 1993 to 2000.

Enough is enough. It is time to abolish a body whose demise would distress only its 1,200 employees and the hundreds of experts and consultants who feed from its \$100m-a-year trough.

Unido was introduced to the world on January 1 1967 through

General Assembly resolution 2152 (XXI) of November 17 1966. From the start it had ideas above its station, claiming that it had a "mandate to act as the central co-ordinating body for industrial activities within the UN system".

Like many organisations spawned by the United Nations, Unido has been sustained by pompous jargon and an overriding belief in its own importance.

The concept of an Industrial Decade, whatever that means, is given spurious authenticity through the language signalling its creation. The general assembly, we are told, in Resolution 35/68 of December 5 1980, proclaimed the 1990s as the Industrial Development Decade for Africa "thus giving worldwide recognition to the decade".

Of course, it did nothing of the sort, except for UN bureaucrats.

A welter of documents sustained their fantasies, products of seminars and special sessions where the delegates draw their per diems and build nothing more substantial than castles in the air. By 1983 Unido had



Things which never would be missed

produced a slim volume of *pensées* entitled *A Programme for the Industrial Development Decade for Africa*. The reader is warned that this handbook "differs in many respects from previous practice, and calls for a firm rejection of isolated piecemeal planning of the past and a clear shift away from over-concern [sic] with foreign exchange problems external to the region".

OBSERVER



own pennies on the tone, though. He plans to head for a convenient Dillon and look up various salient points in the index - starting presumably somewhere near the McMs.

Bluff Bob Horton

Railtrack chairman Bob Horton really must be sensitive about the size of his £120,000 a year salary. How else do you explain his odd bet with signal workers' boss Jimmy Knapp on BBC radio's Today programme yesterday morning? Horton promised to give to charity the net difference between his salary and Knapp's, if it would

help break the strike deadlock. Knapp earns £46,000, so this would mean that Horton would have to hand over £44,400.

A friendly accountant at Touche Ross calculates that if Horton paid the £44,400 over as a net Gift Aid payment, the charity could reclaim tax of £14,500 leaving it with a total of £29,900. Horton would then receive tax relief at 15 per cent on £9,500 so the net cost to him would be £20,400. Sadly, Knapp declined to call Horton's bluff.

Disloyalty

Yet another government body has fired a shot across the bows of Michael Heseltine, Britain's combative president of the Board of Trade. Worse still the latest shot comes from a minion deep inside the Department of Environment, one of Hesza's old fiefdoms.

In his spare time Hesza is the squire of Thenford, Northamptonshire, and had been hoping to put a thatched roof on one of his cottages and install double glazing. However, the planning inspector has turned him down because he wanted to use the wrong sort of reed and the windows did not suit a listed building.

The planning inspector commended Hesza's "genuine attempt" to restore a building to its original appearance but declares that such an effort cannot succeed if "compromises on materials or

selects its officers more for their country of origin than their expertise. Thus places were found for assorted economists, agronomists and economists, most with dubious credentials. They usually owed their jobs to political patronage, and lived in a world of diplomatic privileges, duty free facilities and hardship allowances.

Unlike the World Bank, no one subjects Unido to scrutiny. If anyone cared to assess its policies and proposals over the 1970s and the 1980s, the organisation would emerge deeply discredited.

Today Unido has the chutzpah to claim that it "assists both governments and the public and private sector through technical and investment promotion services, and with policy advice".

The suggestion that this ineffective agency might assist the private sector, or have any insight into investment, is risible. To be fair, Unido should not be blamed for Africa's crisis. True, it bears the responsibility that attaches to those who stay silent when they should be sounding the alarm. But no one took much notice of Unido and its experts. And that is why no one will miss it.

Dorrell's delight

Stephen Dorrell, Britain's new National Heritage supremo, may not know much about art but that need not stop him winning the plaudits of the arts world.

Tomorrow the deadline expires on the attempt to find the £7.6m needed to keep Canova's statue of The Three Graces in the UK and out of the clutches of the J. Paul Getty Museum in Malibu, California. The cause seems hopeless. The V&A, which is spearheading the rescue mission, has only managed to raise £4.7m.

But now Dorrell wants to re-examine the papers and has postponed an announcement until Monday. He could delay the export licence for another three months, but there is also a chance that he has found a white knight with the necessary millions. One possibility is the incredibly generous cricket fan, J. Paul Getty Jr, who has little love for his father's memorial. But if The Three Graces are saved, some of the knos will rub off on Dorrell as well.

Pushy number

How do you tell an introverted actuary from an extroverted one? The latter gazes at your shoes.

Beijing negotiator misses boos and bouquets as talks begin Taiwan split over China links

By Laura Tyson in Taipei

China's chief Taiwan negotiator narrowly escaped being pelted with eggs by independence activists chanting "Chinese bandits go home" and burning People's Republic of China flags on his arrival at Taipei's international airport yesterday.

But Mr Tang Shuhel, the most senior Chinese official to set foot on the island which Beijing has regarded as a renegade province since 1949, also missed a crowd of supporters who had come to welcome him when he was whisked out of the airport through a secret exit.

As four days of talks begin today between Mr Tang and his Taiwanese counterpart, Mr Chiao Jen-ho, Taiwanese remain divided and uncertain over the pace and direction of the island's uneasy relations with its giant neighbour.

Many people in Taiwan are suspicious of the motives of both governments, in the talks, designed to resolve issues such as maritime rights and the repatriation of hijackers, of which

there have been many from the mainland in the past year.

A government-commissioned poll, the results of which were released yesterday, found 42.2 per cent of those surveyed supported neither reunification with China nor Taiwanese independence.

Nearly 21 per cent of respondents backed reunification, while 11.6 per cent advocated independence. The passion of the protests against Mr Tang's arrival yesterday highlighted the sensitivity of China policy for the Taiwanese, who have been taught to regard the mainland as territory occupied temporarily by the Communist government and to be retaken eventually by the Taiwanese nationalists.

Pro-independence protesters burnt the Chinese flag and urged Mr Tang to return to the mainland. He suggested that "talks are talks" and conceded that "we have to raise differing opinions", though Beijing has not ruled out the possibility of using force to retake the island if it drifts too close to independence.

As for the boisterous reception in Taipei, Mr Tang said: "This is

not the way Chinese people should treat their guests. I hope to see some improvement in this."

Mr Eric Ni, a stockbroker at a Taiwanese securities firm, said he hoped that Beijing and Taipei could adopt a more pragmatic approach in the cross-strait talks, which began in April 1983. The previous five rounds have been mired in legalistic issues.

"Both sides are basically just playing games," Mr Ni said. "But it's better than not talking at all; otherwise there would be more tension." He supported resumption of direct shipping and air links as mutually beneficial.

While in favour of improved relations, Mr Ni, a native Taiwanese in his late 20s, firmly rejects reunification.

"It is good to maintain an older brother-younger brother relationship with China, but Taiwan should be independent," he argues. "There is no need for reunification, even though we share the same blood. For example, the US became independent from England over 200 years ago."

"Should Taiwan declare inde-

pendence? "Why not? There's no way China can attack Taiwan. They can't because they would lose all their foreign investment."

Building manager Mr Wang, who came to Taiwan from China's Shandong Province in 1949, fears closer ties with the mainland. "Direct links are no good; it's too dangerous for Taiwan. You can't trust the Communists. There's no way these talks can come to anything," Mr Wang said. "Nobody wants to see any progress. Reunification is not possible. Independence is not possible either."

Mr Chen Hsin-yong, an electrician said: "It's good to hold talks, but relations between the two sides should not develop too fast. Very, very slowly is the best way. China refuses to recognise us on an equal basis, so how can we even begin to agree on anything? Besides, Taiwan is a democracy now. I visited China last year and there's no way that place can ever become democratic."

"Talks and friendly relations are good, but we must maintain at a distance," said Mr Chen Tung-chiang, a taxi driver.

Brussels rumours work all year

Continued from Page 1

whole new set of commissioners and chiefs of cabinet yet to be appointed, the somewhat empty corridors are alive with rumor and speculation.

"Everyone is asking who Santer will appoint, how he will organise the portfolios, and what consequences this might have for the allocation of services," said one senior official. "People are thinking about how they will respond over the next two to three months which is when the rumours will really take off."

"A great rumour doing the rounds at the moment is that the UK will pay a heavy price for using their veto [of Mr Jean-Luc Dehaene, the Belgian leader] at Corfu," said another observer. "The question is how big a price?"

Still smarting from seeing Mr Dehaene vetoed by the UK, the French are rumoured to be angling to secure the external economic relations portfolio from Sir Leon Brittan.

Even more mischievous is a rumour that those governments still sulking over the UK veto will work hard to see that Mr Neil Kinnock, former UK Labour party leader and newly appointed commissioner, is awarded the social affairs portfolio.



Jacques Santer: new commissioner to appoint



Sir Leon Brittan: in danger over the veto on Jean-Luc Dehaene

Ho. With his declaration to end the UK's opt-out of the social chapter, such an appointment could cause havoc at home.

Next is the question of who will staff the office of Mr Santer. It has already been confirmed that Mr Jim Closs, currently chief of cabinet for Mr René Steichen, the Luxembourg commissioner, will become Mr Santer's chief, and beyond that the gossip centres on how many more Luxembourgish he will be able to fill his posts with. Most, cruelly,

suggest three as the total. Meanwhile, officials are reflecting on the European parliament's display of muscle last month, over the allegedly under-hand appointment of the new Commission president. The parliament has said it would like to vet all commissioners individually before Mr Santer takes over next year, a prospect which is prompting a mixture of mirth and nervousness among the top echelons still languishing in Brussels.

UK defence ministry to decide on new aircraft

By Bernard Gray in London

The UK Ministry of Defence indicated yesterday that it would take the final decision on whether Britain would buy the US Hercules or the European Future Large Aircraft as a replacement for the Royal Air Force's ageing transport fleet.

A committee of officials from several Whitehall departments has been set up to oversee debate on the project, but the decision is not expected to go to the full UK cabinet.

Corrosion of the old Hercules airframes and heavy usage means that up to half the existing fleet of 60 aircraft may need to be replaced or refurbished before the end of the decade.

British Aerospace, the company that would build the wings for the FLA if Britain joined the project, has argued strongly that its pre-eminent position in wing design would be lost to French and German companies if the RAF bought the US C130J Hercules. It says the FLA will be faster and bigger than the C130J, will be worth \$5.5bn (\$3.5bn) to the UK and secure 1,500 British jobs.

Lockheed, the US manufacturer of the C130J, has said its aircraft will be ready to meet the RAF's need in 1996, while the FLA faces uncertain development costs and will not be available until next century.

No time scale has been set for the committee to reach a decision. However, the ministry hopes to decide which aircraft to buy before the end of the year.

Irish PM criticised over beef exports

Continued from Page 1

result of the insurance cover extended by Mr Reynolds. It also concluded that the decision to extend credit insurance was taken by Mr Reynolds "against the professional advice available to him".

The findings of the report have

undermined assertions made by Mr Reynolds over the weekend that he had been "totally vindicated" by it. The report was presented to the government last Friday and parts favourable to Mr Reynolds were leaked to the press in advance of publication on Tuesday.

The chairman of the inquiry,

Irish High Court judge Mr Liam Hamilton, accepted that Mr Reynolds had the right to extend the export credits if he felt it was in the national interest. However, Mr Hamilton said a more detailed investigation of the likely benefits to the economy of granting such credits should have been carried out at the time.

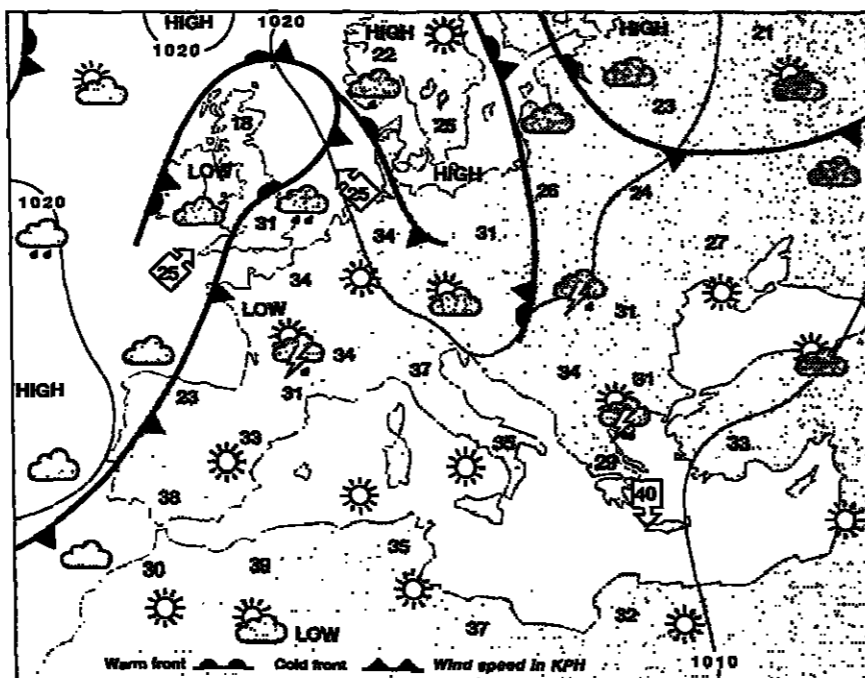
FT WEATHER GUIDE

Europe today

Most western regions will be sunny and warm, but north-western Spain will have scattered cloud and western France will have thundery showers in the late afternoon or evening. Poland, western Russia and the eastern Balkans will be unsettled with thundery showers. It will be sunny and dry in Greece and Italy, while Scandinavia will have a mixture of sunshine, cloud and showers. The most unsettled conditions will be in Ireland and Scotland where it will be overcast and rainy. England will be humid with patchy cloud. Showers will develop in Wales and south-western England.

Five-day forecast

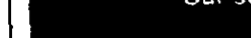
Most of the continent will remain very warm until at least the beginning of next week. Thursday and Friday will be very hot with temperatures ranging between 30C and 36C. Thunder will develop in France and Benelux followed by cooler conditions at the weekend. The UK can expect pleasant temperatures from 19C-25C but there will also be some showers, especially on Friday and Sunday. In eastern Europe showers will die out and temperatures will rise.



TODAY'S TEMPERATURES

Location	Max	Min	Weather	Location	Max	Min	Weather	Location	Max	Min	Weather
Abu Dhabi	34	24	fair	Caracas	27	20	cloudy	Faro	29	22	fair
Accra	31	24	fair	Cardiff	25	18	cloudy	Frankfurt	28	20	sun
Algiers	31	24	fair	Cebu	31	24	sun	Glasgow	27	20	sun
Amsterdam	21	14	drizzle	Colon	31	24	sun	Gibraltar	27	20	sun
Athens	31	24	sun	Dakar	29	22	sun	Hamburg	27	20	sun
Bahia	31	24	sun	Dallas	29	22	sun	Helsinki	27	20	sun
Bangkok	31	24	sun	Delhi	32	25	sun	Hong Kong	32	25	sun
Barcelona	28	21	sun	Dubai	32	25	sun	Honolulu	32	25	sun
				Dublin	20	13	showers	Istanbul	29	22	sun
				Edinburgh	20	13	sun	Jakarta	31	24	sun
								Jersey	26	19	sun
								Karachi	30	23	sun
								Kuala Lumpur	31	24	sun
								L. Angeles	29	22	sun
								London	27	20	sun
								Lima	27	20	sun
								Lisbon	27	20	sun
								Luxembourg	27	20	sun
								Madrid	27	20	sun
								Manila	31	24	sun
								Moscow	27	20	sun
								Mumbai	31	24	sun
								Nairobi	27	20	sun
								Rangoon	31	24	sun
								Reykjavik	15	8	showers
								Rio	32	25	sun
								Rome	33	26	sun
								S. Francisco	29	22	sun
								Seoul	29	22	sun
								Singapore	31	24	sun
								Stockholm	26	19	sun
								Strasbourg	29	22	sun
								Taipei	31	24	sun
								Tokyo	31	24	sun
								Toronto	29	22	sun
								Vancouver	21	14	sun
								Venice	33	26	sun
								Vienna	31	24	sun
								Warsaw	29	22	sun
								Washington	33	26	sun
								Wellington	10	3	sun
								Winnipeg	22	15	sun
								Zurich	32	25	sun

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Lufthansa

THE LEX COLUMN American Home truths

It is so long since the pharmaceuticals industry saw an unsolicited bid that American Home Products' \$3.5bn offer for American Cyanamid came as something of a shock. But while the nature of the bid and the whopping 50 per cent premium to the market share price are startling, the trend towards consolidation was already clear. The mergers which created SmithKline Beecham and Bristol-Myers Squibb, and Roche's agreed acquisition of Syntex in May, were steps in this direction. Since pressure on industry margins shows no sign of easing, further moves are likely.

But the kind of multiple offered by American Home - 20 times this year's forecast earnings - only makes sense if costs can be cut without damaging the acquired business. The marriage of SmithKline and Beecham was successful in this regard, but neither party was dragged to the altar at gun-point. Cyanamid has outperformed the US market by 50 per cent from the trough in March, so management could be more than usually reluctant to surrender. Such considerations argue against an outbreak of hostile takeovers.

Yet drugs companies which are struggling to deliver volume growth and are being squeezed on price by their customers may have little alternative but to look for appropriate partners. If the prices now being paid are any guide, a restructured drugs industry is worth substantially more than the current model. Yesterday's rise in the shares of other mid-sized drugs companies, such as Wellcome and Warner Lambert, is speculative but logical.

PowerGen

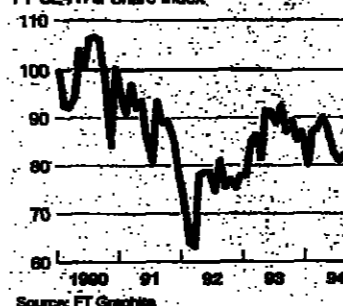
Companies often fear they will be thought lacking in imagination if they decide to hand back surplus cash to shareholders. The truth is that investors would prefer to have their money back rather than see it frittered away in wasteful ventures. In that sense PowerGen should be applauded for yesterday's share buy-back. It sets an example that others should follow, and not just in the electricity industry where buy-backs show signs of becoming fashionable. Yet PowerGen's move is welcome for more than reasons of principle.

Having spent just £13m on its own shares PowerGen was rewarded with a 5 per cent jump in its price. The market reaction is not as disproportionate as it looks. PowerGen has authority to buy up to 10 per cent of its own capital

FT-SE Index: 3160.4 (+2.9)

Harrisons & Crosfield

Share price relative to the FT-SE All-Share Index



and the market is assuming that given its modest 15 per cent gearing it will make further purchases. Earnings would be enhanced even at yesterday's higher price.

Indeed, earnings could rise by around 5 per cent if the company bought back 10 per cent of its capital. That would help offset a lean period next year as PowerGen's UK sales decline with its market share. But even having spent \$400m on its own shares, PowerGen would quickly run up surplus cash again. It would then have to decide whether to come back for more.

Harrisons & Crosfield

Harrisons & Crosfield shareholders have been waiting a long time for something to turn up - the dividend, for example - and have managed to contain their excitement at recent developments. Since Mr Bill Turcan moved into the chief executive's chair in May, he has been making all the right noises. He has announced a sensible removal of divisional management, declared the company to be focused on chemicals and building supplies and admitted that it still has a lot to prove. He has also been able to check the sale of the Indonesian plantations at a price which brings minimal earnings dilution. This means the company is under no pressure to gear up again quickly with acquisitions in its two core businesses, which may be just as well given its mixed record.

Not only did it buy its UK building merchant chains at the top of the market, it also picked up a US chain which has seen half its business undermined by new competition. The

UK business showed a strong improvement in the first half, largely by addressing management failings in the south-east, but its margins of 4.7 per cent are still behind the competition and way short of its target of 7.5 per cent. Its margins in specialty chemicals are also below the industry leaders.

As always with Harrisons, this means there is plenty of upside if only the management can deliver. Dividends should at last be covered this year but the shares are still yielding 6.3 per cent, which suggests that expectations are not high.

Tesco/Wm Low

Three weeks ago the board of William Low, advised by Barings, recommended its shareholders accept an offer from Tesco of 25p a share which it thought was "fair and reasonable". Yesterday it became clear that Tesco thought the price to be very reasonable indeed since it is now prepared to offer 60 per cent more.

There is no question that the strategy adopted by William Low and Barings has been spectacularly successful at realising value for shareholders. But a few questions still remain. The William Low camp insist that by declaring it fair and reasonable they were not suggesting that shareholders could not hope for more. All they wanted to convey was that, without any bid, the shares would be worth less than 25p. Since the shares were trading at 16p before the offer, most shareholders could probably work that out for themselves.

As for the recommendation that was demanded by Tesco, William Low acceded to it as a mere formality in order to get the bidding going. Still, if advisers want to maintain their credibility, they should think carefully about letting their names be used too casually.

S.G. Warburg

S.G. Warburg's charitable contribution in connection with its controversial purchase of Lasso shares during the Enterprise bid is about as unhelpful as Mr Robert Horton's mooted donation to stop the rail strike. The Lasso case reveals a need for transparent rules on handling cash purchases during a paper bid which should then be enforced without fear or favour. The stock exchange has come up with an elegant-looking verdict. It is judge just the same.



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INTERNATIONAL COMPANIES AND FINANCE

Profits at DSM surge to Fl 98m in second quarter

By Ronald van de Krol

DSM, the Dutch chemicals group, said net profit rose more than 20-fold in the second quarter of 1994 compared with the same quarter of 1993. Net profit jumped to Fl 98m (\$56m) from just Fl 4m, on turnover up slightly more than 8 per cent at Fl 2.27bn.

The latest figures take net profit for the first half to Fl 181m, a significant improvement from the Fl 10m posted in the first six months of 1993.

The company said it had profited from its continuing cost-cutting drive and from a strong 12 per cent rise in sales by volume in the first half.

This, in turn, reflected

economic recovery in Europe and resurgent demand from important customers, such as the European vehicle industry.

Demand for caprolactum, a raw material used in making nylon, was also on the increase in east Asia and western Europe.

At the same time, the flow of cheap, competitive supplies of the feed stock from central and eastern Europe had slowed.

"The improvement in results is first and foremost due to higher sales volumes," Mr Ad Timmermans, a DSM board member, said. "Selling prices are still low, but show an upward trend."

DSM gave no definitive forecast for the rest of the year but

the company said that the traditional "summer dip" in the current third quarter would probably be less pronounced than in previous years.

Sales by volume are expected to remain high in the second half, while a slight recovery in prices should set in for some products.

Mr Timmermans said the surge in profit was "gratifying", but added that profit levels were still too low.

DSM will pay an interim dividend of Fl 0.50, representing one-third of its sharply reduced total dividend of Fl 1.50 in 1993.

The company cautioned, however, that the interim dividend did not give any indication of the full-year dividend.

Tesco deals knock-out blow in bid for Wm Low

By Neil Buckley and David Owen in London

Tesco, the UK's second-biggest food retailer, yesterday struck a knock-out blow in the takeover battle for William Low, the Scottish supermarket group, with an increased offer of 360p a share.

Tesco's new offer, which values the Scottish chain at £247.4m (\$383.5m), persuaded rival J. Sainsbury to pull out of the contest. Sainsbury bid 305p a share last week, valuing Wm Low at £210m. Tesco's bid yesterday was 60 per cent more than its original bid three weeks ago of 225p a share, which valued Wm Low at £154m.

Mr James Miller, Wm Low's chairman, said he regretted that the company was losing its independence but was "delighted" with the value placed on it by Tesco's offer.

The board is likely to meet today to vote on a formal recommendation to shareholders.

Wm Low's shares ended 23p up at 358p - having touched 360p before Sainsbury's withdrawal - more than twice the 169p they stood at before Tesco's original bid. Sainsbury's shares at 419p, but Tesco closed down 5 1/2p at 287 1/2p, amid fears about the acquisition's impact on its earnings.

Still shopping as the margins drop, Page 11; Lex, Page 12; Everyone's a winner, Page 18

Portugal's banks take their corners

The battle for market share is warming up, writes Peter Wise

The gloves are off in the normally sedate world of Portuguese banking. Banco Comercial Português's hostile bid for Banco Português do Atlântico is the opening bout of what is expected to be a fierce contest for market share.

BCP's cash offer of £61.52m (\$91.8m) for a controlling stake of 40 per cent of BPA, a rival almost twice its size, has important implications for a financial system where state control has long held aggressive instincts in check and most banks are just beginning to find their feet after privatisation.

The takeover would make BCP so much bigger than its main competitors that other large acquisitions or mergers would almost certainly follow. If the bid is successful, BCP will move to second position, from fifth, in the ranking of Portuguese banks by total assets.

Less than a decade after BCP was founded by a small group of Portuguese businessmen, it is bidding to become the country's largest private-sector banking group. The new group would be almost as big as Caixa Geral de Depósitos, which dominates Portuguese banking with a 28 per cent market share. CGD is now the only state-owned institution among Portugal's top five banks.

"BCP's competitors will all be forced to rethink their strategies if the takeover goes ahead," says Mr Alexandre Vaz Pinto, of Banco Espírito Santo. BES, for example, has an 11 per cent share of the market,

PORTUGAL'S TOP FIVE BANKS*					
	Market share by total assets (%)	Net assets (£m bn)	Own capital (£m bn)	Employees	Branches
Caixa Geral de Depósitos	28.0	3,183.9	445.8	8,257	501
Banco Comercial Português	14.5	2,440.1	190.3	5,305	329
Banco Totta e Acores	14.0	2,650.4	165.2	4,384	255
Banco Espírito Santo	11.0	2,005.7	160.5	6,944	230
Banco Comercial Português	9.5	1,758.1	224.2	4,066	266

*2nd-1993 figures

Source: annual reports

compared with 9.5 per cent for BCP. But control of BPA would be more than double BCP's share to 24 per cent.

BCP's pugnacious move has taken Portugal by surprise. But concentrations of banking power had been forecast. "Portuguese banks are too small to compete internationally and there is big potential for rationalisation," says Mr João Rendoso, a Lisbon fund manager. "BCP is taking the first step in an inevitable reshaping of the sector."

On one level, the outcome of the bid depends on the solidarity of BPA's core shareholders. BCP is only likely to be successful if one of the Portuguese businesses that together own a controlling stake of 27 per cent of BPA - which they are now seeking to enlarge - abandons an agreement not to sell outside the group. The offer of £61.52m a share is 14 times 1993 earnings.

But BCP must also win the approval of the finance ministry, the stock exchange commission and the central bank. The government's commitment to liberalising the financial sector, which was almost totally nationalised after Portugal's left-wing revolution in 1974,

would appear to be in BCP's favour. Blocking the bid could be viewed as interference in the market.

Analysts say BCP's offer, the equivalent of 2.5 times BPA's 1993 book value, also sets an attractive price level for future bank privatisations. The sale of sixth-ranked Banco Pinto & Sotto Mayor and the state's remaining 26 per cent holding in BPA will virtually complete bank re-privatisations, which began in 1988.

BCP's move would also seem to be towards creating a strong Portuguese group equipped to compete on a European level - a trend eagerly advocated by Mr António Cavaco Silva, the prime minister. But although Portuguese businesses control BCP, the bank's largest single shareholder is Banco Central Hispano, the Spanish banking group. BCP owns 20 per cent but its voting rights are limited to 10 per cent.

Official espousal of a traditional Portuguese aversion to economic dominance by Spanish companies is only thinly veiled. Banco, another Spanish bank, is under pressure to reduce its direct and indirect holding

of about 50 per cent in Banco Totta e Acores, Portugal's third-ranked banking group.

On the surface, BCP control of BPA would increase Spanish influence in Portuguese banking. But some analysts see the takeover bid partly as a defensive move that would create a large group over which it would be much harder for BCP to gain control.

Lisbon also has to consider whether BCP's proposed purchase would distort competition. The takeover would mean that two banking groups, BCP and CGD, dominated more than 50 per cent of the market.

The government gives an indication of its current thinking in the privatisation terms for BPSM. These state that acquisition of BPSM should not give rise to a group whose size could lead to "significant imbalances" in the financial market.

The battle for control of BPA is unlikely to be resolved for three or four months. Whatever the outcome, the competitive climate in Portugal's newly-privatised banking sector will have been irrevocably changed.

Building boom lifts Wienerberger

By Ian Rodger in Zurich

Wienerberger Baustoffindustrie, the Austrian building materials group, said its pre-tax profit on ordinary activities jumped 63 per cent to Sch633m (\$56.87m) in the first half, due to the home-building boom in Austria and in some neighbouring countries.

The directors expect business to remain brisk in the second half, and have forecast that ordinary pre-tax profits for the year will rise to

Sch1.1bn from last year's Sch538m.

Group sales dropped 20 per cent in the first half to Sch4.7bn reflecting the sale of the sanitary fittings subsidiary to Wolsley of the UK. The group posted extraordinary profits of Sch215m in the period, virtually all of it coming from this sale.

Pre-tax profits of the wall, ceiling and roofing systems division soared 45.3 per cent to Sch402.5m. Profits of the pipe systems and sewage technol-

ogy division advanced 34.3 per cent to Sch75.4m.

The property and investment division more than doubled its pre-tax profits from Sch73.4m to Sch168.7m, as the group realised its investment in a large development and made good progress in renting its Business Park Vienna.

The troubled Treibacher ferro-alloys division reduced its loss to SF17.2m (\$13m) from SF21.9m after more rationalisation and a slight improvement in markets.

Harrisons & Crosfield has good first half

By Peggy Hollinger in London

Harrisons & Crosfield, the UK industrial conglomerate, yesterday unveiled a better-than-expected 34 per cent rise in interim profits to £59.9m (\$92.8m).

The payout is unchanged for the fourth successive year at 3.6p. Earnings rose 12 per cent to 4.6p.

Sales in the first half were flat at £1.1bn, but trading in H&C's building and timber supplies business remained strong. This division had returned the fastest growth in the six months with operating profits ahead by 27 per cent to £13.5m.

Lex, Page 12

Bulgaria plans to sell off tour operator

By Theodor Troev in Sofia

The Bulgarian government is to sell off Balkantourist, the largest state-owned tour operator, with a stake of at least 51 per cent being offered to a single investor.

The remainder will be split between employees and domestic investors, with employees offered 20 per cent.

"We will secure equal terms for foreign and local investors to participate in the privatisation of the company," said Mr Bonka Hinkova, first vice-president of the Committee of Tourism in Sofia.

Tui of Germany, Inghams of the UK - a member of the Hotelplan multinational con-

cern - and the Louis Organisation, a Cyprus-based holding comprising hotels, tour operators, cruise lines and airport shops, are interested in acquiring a majority stake in the company.

Local investors are also lining up to buy a stake.

Private airlines and several of Bulgaria's most powerful private financial groups, including Multigroup, Tourist Sport Holding, Tron and Bulvar Holidays, are reported to be discussing the opportunity.

Balkantourist, the former tourism monopoly, was founded 47 years ago. Until 1990 the company administered all tourist facilities in the country.

UK funeral group seeks white knight

By Simon Davies in London

Great Southern Group, the UK funeral company under siege from Service Corporation International, of the US, is in discussions with a potential white knight, understood to be one of SCG's US competitors.

Great Southern's share price rose 28p to 708p after it revealed the discussions. Analysts said that a new offer would have to exceed 700p. This compares with SCG's increased bid of 680p.

TCI and Viacom in pact talks

By Brown Maddox in New York

Telecommunications (TCI), the largest operator of cable systems in the US, and Viacom, the entertainment group, yesterday confirmed that they were in talks about a strategic pact between some of their businesses.

TCI said yesterday it had been in conversations for some time with Viacom as well as other companies, but declined to comment on reports that the Viacom talks focused on a potential merger of cable and

programming operations and on the sale of Viacom's Madison Square Garden division.

Viacom, which earlier this year succeeded in its long struggle to take over Paramount Communications, has been looking for ways to rationalise its huge portfolio.

The attraction of an alliance between the two groups, according to investment analysts, would be to link Viacom's Showtime pay-cable operations with TCI's Encore service. TCI could also add value to Viacom's cable television operations, they said.

However, any talks would have to address the antitrust suit filed by Viacom against TCI last year during the takeover of Paramount. TCI threw its weight behind QVC, a rival bidder for Paramount.

Viacom is known to be keen to sell Madison Square Garden, which it bought from Paramount. The division includes the New York Rangers hockey team and the New York Knicks basketball team.

Viacom said yesterday it had been discussing a number of initiatives, but would not comment on speculation.

RPR seeking approval for anti-cancer drug

By John Riddling in Paris

Rhône-Poulenc Rorer, the US pharmaceuticals arm of Rhône-Poulenc of France, yesterday announced it had submitted licence applications in the US, Canada and Europe, for Taxotere, its anti-cancer drug.

The submissions represent the first global application since RPR was acquired by Rhône-Poulenc in 1990. The submissions are for use in breast cancer and lung cancer.

This announcement appears as a matter of record only.

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Notice is hereby given that the receipts will bear interest at 5.1875% per annum from 4 August 1994 to 4 November 1994. Interest payable on 4 November 1994 will amount to US\$122.57 per US\$100,000 and US\$1,325.69 per US\$100,000 receipts.

Agent: Morgan Guaranty Trust Company JPMorgan



Landes-Kreditbank Baden-Württemberg US\$200,000,000 Subordinated floating rate notes due 2003

Notice is hereby given that the notes will bear interest at 5.25% per annum from 4 August 1994 to 6 February 1995. Interest payable on 6 February 1995 will amount to US\$27.13 per US\$100,000 note and US\$2,712.50 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company JPMorgan

Notice to the holders of the FL500,000,000 7 1/2 per cent. Guaranteed Notes due 1994 (the "Notes") of Credipol Finance Plc (the "Issuer")

NOTICE IS HEREBY GIVEN in accordance with the terms and conditions relating to the Notes (the "Conditions") that the Issuer has entered into an agreement dated 29th July, 1994 (the "Agreement") between itself, Credipol-Finance par le Impasse 10 rue de la République, 1049 Luxembourg, the Fiscal Agent and each holder of Notes ("Noteholder").

The purpose of the Agreement is, *inter alia*, to amend the Conditions. Each of the Issuer, the Guarantor, the Fiscal Agent and the Noteholders, accordingly, to agree that, with effect from the date of the Agreement, Conditions 9(b) and 9(c) of the Notes be amended by the deletion of references therein to the Issuer in order that each Condition apply only to the Guarantor.

AVAILABILITY OF DOCUMENTS

Copies of the terms and conditions of the Notes and the Agreement may be inspected by Noteholders at or from the specified office of the Fiscal Agent, the address of which is set out below.

FISCAL AGENT

Banque Paribas Luxembourg, 104 Boulevard Royal, L-3449 Luxembourg
Dated 4th August, 1994

MURRAY UNIVERSAL SICAV

Registered Office: Luxembourg, 14 rue Aldringen
of shareholders of MURRAY UNIVERSAL SICAV will be held at the registered office in Luxembourg, 14, rue Aldringen on August 13, 1994 at 3 p.m. for the purpose of considering and voting upon the following matters:

AGENDA

- To hear and accept the Management Report of the Directors by the Report of the Auditor.
 - To approve the Statement of Net Assets and the Statement of Operations for the year ended March 31st 1994 and to consider the declaration of dividends for the various sub-funds.
 - To discharge the Directors with respect to their performance of duties during the year ended March 31st 1994.
 - To elect the Directors to serve until the next Annual General Meeting of the Fund.
 - To elect the Auditor to serve until the next Annual General Meeting of the Fund.
 - Any other business.
- The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.
- In order to take part in the statutory meeting of August 13, 1994, owners of bearer shares in JAPAN PORTFOLIO and AMERICAN PORTFOLIO will have to deposit their shares five days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with the following banks:
- BANQUE GENERALE DU LUXEMBOURG S.A., 14, rue Aldringen, Luxembourg.
 - CLYDELL BANK LIMITED, 20, Lombard Street, London.
- Owners of bearer shares in PACIFIC PORTFOLIO and EUROPEAN PORTFOLIO will have to deposit their shares five days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with the following banks:
- BANQUE GENERALE DU LUXEMBOURG S.A., 14, rue Aldringen, Luxembourg.
- The Board of Directors



The Board of Management of Akzo Nobel N.V. - formerly Akzo N.V. - announces that on August 3, 1994, the results for the first half year of 1994 were published. Copies of this report may be obtained from the London Paying Agents:

Barclays Bank PLC
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168 Fenchurch Street
London EC3P 3HP
and

Midland Securities Service
Paying Agency Section
5th Floor
Mariner House
Peppys Street
London EC3N 4DA

or from the offices of Akzo Nobel N.V.
Velperweg 76
P.O. Box 9300
6800 SB Arnhem
the Netherlands

A summary of the results will be presented in the August 11 issue of this paper.

Arnhem, August 4, 1994
Akzo Nobel N.V.,
the Netherlands

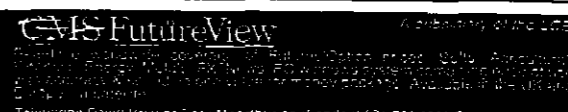
SECOND SUPPLEMENT TO CONSENT SOLICITATION STATEMENT

Univision Television Group, Inc.

Univision Television Group, Inc. (the "Company") hereby supplements (the "Supplement") the Consent Solicitation Statement dated July 12th, 1994 as amended by the Supplement to Consent Solicitation Statement dated July 15th, 1994 (as so amended, the "Consent Solicitation Statement") soliciting consent from holders of the Company's 10% Senior Subordinated Notes due 2001 to an amendment to the indenture (the "Indenture") under which the Notes were issued dated as of December 15th, 1992 by and among the Company, the Guarantors (as defined in the Indenture) and First Trust National Association, as trustee.

This Supplement should be read in conjunction with the Consent Solicitation Statement. Except as described below, all terms and conditions of the Consent Solicitation Statement remain in full force and effect. If for any reason you have received this Supplement and have not received the Consent Solicitation Statement, please immediately contact Bondholder Relations at First Trust National Association, 180 East Fifth Street, St. Paul, Minnesota 55101, telephone (612) 244-0444 to obtain a copy of the Consent Solicitation Statement.

Reason for Supplement
The Company hereby extends the Expiration Date (as defined in the Consent Solicitation Statement) to 5:00 p.m., New York City time, on August 5th, 1994.
The Date of this Second Supplement to Consent Solicitation Statement is July 29th, 1994.



KKBC INTERNATIONAL LTD
US \$500,000,000 FLOATING RATE NOTES DUE 1995
Notice is hereby given that, in accordance with the provisions of the above-mentioned Floating Rate Notes, the rate of interest for the six months period from August 3, 1994 to February 3, 1995 has been fixed at 5.6875% per annum.

The interest payable on February 3, 1995 will be US \$14,534.72 in respect of each US \$500,000 Note.

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PROVINCE OF BRITISH COLUMBIA

Floating Rate Notes, Series BCEUS-2, due 2003
In accordance with the terms and conditions of the Notes, the interest rate for the period from August 1, 1994 to February 1, 1995 has been fixed at 5.75% per annum. The interest payable on 6th February 1995 will be US \$25,000,000 per US \$1,000,000 nominal.

Local Agent, Agent Bank and Paying Agent
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AVIS
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INTERNATIONAL COMPANIES AND FINANCE

Upbeat forecast from Saint-Gobain

By John Riddling in Paris

Saint-Gobain, the French glass and building materials group, should raise profits this year even without the impact of capital gains due to be earned from the sale of its paper and packaging activities, according to Mr Jean-Louis Boffa, chairman.

In an interview with La Tribune Desaffaires, the French financial daily, Mr Boffa said the group could count on satisfactory growth this year and improve on 1993, when group profits fell by 45 per cent to FF1.31bn (\$245m).

He cited strategic factors behind the FF1.5bn sale of its

paper and packaging activities, mostly held by its Cellulose du Pin division, to Jefferson Smurfit of Ireland.

"A group like ours has to develop its activities with the aim of being among the leaders in each area. The wood and paper businesses lacked this dimension," Mr Boffa said. Cellulose du Pin, he said, was "too small and too French" and would have stronger prospects as part of a larger international group.

The disposal will also remove a source of losses for the French group.

Last year, Cellulose du Pin lost FF1.1bn, as the sector reeled under the impact of a

severe recession. Recovery is under way, however, and rationalisation measures prompt industry analysts to predict an improved performance this year.

The sale should also help reduce Saint-Gobain's debts, already trimmed from the FF1.5bn at the end of 1993 by a FF1.5bn capital increase launched in March. After that, the debt to equity ratio was reduced from almost 40 per cent to about 28 per cent.

Most important, however, the sale of the paper and packaging operations will allow Saint-Gobain to focus its management and financial resources on its core activities

- glass, building materials and ceramics.

Mr Boffa said the group was entering a new phase of industrial investments. Next year, he said, would see a clear increase above the FF1.2bn of investments already made.

All core businesses would benefit, according to Saint-Gobain, but particular emphasis would be given to its flat glass activities.

Expansion would be achieved through direct investments and possibly acquisitions in emerging markets, such as eastern Europe and Asia, and in areas where the company is not already present.

Smurfit plays catalyst for change

Takeover could spark further consolidation, says Deborah Hargreaves

Jefferson Smurfit's takeover of Cellulose du Pin, the paper and packaging activities of Compagnie de Saint-Gobain, the French glass and building materials group, could start a ripple of consolidation in the highly fragmented European packaging industry.

"The industry needs more consolidation to be healthy and I hope we can be something of a catalyst in that," said Mr Howard Kilroy, Smurfit's president and chief operations director.

Although Jefferson will become the largest producer of corrugated board in Europe and one of the largest packaging companies after the merger, it will hold only a 10 per cent market share. Industry leaders command a share of 20 to 30 per cent of sales in other sectors.

Smurfit is still looking for further expansion in the paper and packaging business as the industry emerges from its worst recession.

Mr Kilroy believes Smurfit can turn round Cellulose du Pin's loss-making activities quickly on the back of the industry upturn which started this year, and the rationalisa-

Europe's leading packaging companies	
	Sales (\$bn) 1993 est
CarrousselMetalBox	3.87
Vig	3.26
Jefferson Smurfit	3.00
Saint-Gobain	2.49
Packway	2.27
Tetra-Laval	2.2
KNP BT	1.74
SCA	1.71
Van Leer	1.45

* after the acquisition; Jefferson Smurfit 12m before acquisition; † before acquisition. Source: ENR/ENR

tion effort which has gone into the French group's operations in recent years.

"They are some good assets which have been well-invested and are just coming out of some historical problems," says Mr Kilroy.

The packaging arm made a loss of FF1.1bn (\$204m) last year, but Mr Kilroy says that much of that can be accounted for by a fluff pulp plant and a wood business which are not included in the takeover deal.

In addition, the French group had incurred restructuring costs in making the operations more efficient.

The company reckons that

the takeover will enhance its earnings per share in 1996.

The merger of Smurfit's European operations with the French company will pivot Jefferson into the market leader for corrugated board, with production overtaking the Swedish company, SCA, by 200,000 tonnes.

Corrugated board, used predominantly in the manufacture of cardboard boxes, is a leading indicator of economic recovery as it is such a widely used packaging material. Industry watchers say demand is picking up fast in Europe.

Mr Tim Rothwell, packaging analyst at Barclays de Zoete Wedd, the London securities house, says demand is up by 12 per cent in Italy and between 3 per cent and 5 per cent in Germany, the Netherlands, France and the UK.

At the same time, raw materials costs are increasing - waste paper prices have risen by up to 50 per cent following a 30 per cent upturn in virgin pulp prices this year.

In some areas, waste paper which is used for making corrugated board is not available. Two German mills have been forced to suspend operations this year for lack of raw mate-

rials. Smurfit is well equipped to provide waste paper to Cellulose du Pin's French corrugated business, which Mr Kilroy describes as a "jewel". Smurfit runs the second largest waste paper recycling business in France.

Some analysts are sceptical that the company will be able to make the savings it says it will to turn the business round. Mr Dennis Christie, packaging analyst at James Capel, the London brokerage, notes that corrugated paper producers are finding it hard to pass on higher raw materials costs to their customers.

"The company might suffer a short-term margin squeeze, but it is a good time in the cycle to purchase, and over the longer term it is probably a good thing," says Mr Christie. He says the purchase price paid by Smurfit for the French company is relatively cheap compared with other companies in the sector. He points out that Smurfit is paying a price equal to 70 per cent of the turnover of Cellulose du Pin, whereas similar companies have a market capitalisation equal to 120 per cent to 130 per cent of sales on European stock markets.

American General pins hopes for Unitrin bid on shareholders

By Richard Waters in New York

American General, the US insurance and consumer finance group, yesterday indicated that it did not plan to intensify its \$2.6bn battle for control of Unitrin, a smaller financial group, but was hoping pressure from that company's shareholders would lead to a quick deal.

The Texas-based company's bid, first made to Unitrin's board in early July and revealed on Tuesday, has been rejected by the Unitrin board.

A takeover would add to American General's existing home-sales force, which specialises in selling insurance and other financial products to

mostly blue-collar households throughout the US.

Mr Harold Hook, American General's chairman and chief executive, said the announcement had been made to encourage Unitrin's shareholders to put pressure on the company to accept a deal.

"If the shareholders don't bring the pressure, we probably wouldn't bring a siege approach," he said. "This isn't the opening shot in a long war."

An important part of American General's campaign involves the 17 per cent of Unitrin's shares held by Mr Henry Singleton, who until earlier this year was the company's chairman.

Mr Singleton, who is 78, was

instrumental in building up Unitrin and is believed to retain considerable influence.

A successful American General bid would throw into question three large equity stakes in US companies held by Unitrin, worth around \$1bn.

These are a 28 per cent interest in Litton Industries, the defence electronics company; 28 per cent of Western Atlas, an oil services company spun off by Litton earlier this year; and 43 per cent of Curtiss-Wright, an aerospace components maker.

American General said it believes that Unitrin, with shareholders' funds of \$2bn, has \$1.4bn too much capital. If successful in the bid, it would be likely to sell the assets.

Net income at Baer slips 24% to SFr54m

By Ian Rodger in Zurich

Baer Holding, the Zurich-based private banking and asset management group, has reported a 24 per cent slide in first-half net income to SFr54.2m (\$42m) after sharply reduced profits from trading.

Baer said trading income tumbled 68 per cent to SFr36m "owing to the unfavourable developments on the financial markets".

Foreign exchange and precious metals trading profits were off by a third to SFr40m, while trading on the bank's own portfolio resulted in a SFr1m loss compared with a profit of SFr55m in the extremely favourable conditions prevailing in the first half of 1993.

Net interest income was flat at SFr60.5m while net commission income rose 28 per cent to SFr144.9m.

At June 30, total assets stood at SFr7.46bn, 3 per cent lower than at the end of 1993, due to the weaker US dollar. Shareholders' equity, on the other hand, was up 3 per cent to SFr947.6m.

Assets under management, excluding global custody business, stood at SFr43.6bn, down 3 per cent since the end of 1993.

Rodamco in two Spanish property deals

Rodamco, the international property arm of Robeco Group, the Dutch pension fund, has acquired two of Spain's largest shopping centres in a Pta12bn (\$92m) deal, writes Tom Burns in Madrid.

The Dutch group bought Parque Sur, a 110 sq metre complex in Madrid, and Bahia Sur, a 57 sq metre retail area outside Cadiz. The price could rise to Pta15bn if post-purchase financial criteria are met. The centres were launched by Parques Urbanos, a domestic developer that collapsed last year, and were owned by Banco Exterior, part of the Argentina banking group.

Spain's biggest shopping centre, La Vaguada in north Madrid, valued at close to Pta12bn, is poised to change hands under the terms of a pre-contract signed between its owners, Compagnie Financière de Suez, and Arc Union-Union, the French investment group.

Share offer launched for Hitachi offshoot

By Gordon Cramb in Tokyo

Hitachi, the Japanese electronics group, is offering seven of its own shares for every 10 held by outside investors in Hitachi Sales Corporation, its distribution offshoot.

The parent already has a 59 per cent stake in Hitachi Sales and the offer values the rest at some Y39.85bn (\$398m).

Shares in the subsidiary have fallen by Y95 since Hitachi announced its intentions last week, including a Y5 dip to Y625 yesterday.

With Hitachi's own shares up Y51 since last Thursday's announcement and unchanged on the day at Y1,010, the all-scrip offer implies a bid premium of some 13 per cent.

Hitachi Sales, with revenues of Y433bn in its latest year, operates a chain of retail outlets. These have been hit by the downturn in Japanese consumer spending, and profitability for the past two years has been marginal.

The deal, says Hitachi, will streamline product development and marketing and rationalise management resources. Officials deny suggestions that the move may be a precursor to a withdrawal from consumer electronics, which represents about 10 per cent of its business.

New lines are being sought for its stores. The company yesterday joined Sega Enterprises to market the Sega Saturn, a video-game machine to be launched in November.

Mexico opens door to foreign institutions

By Damian Fraser in Mexico City

Mexico's finance ministry is expected to give approval soon to more than 100 applications from foreign financial institutions to open up subsidiaries this year.

The institutions, which include banks, brokerages, "non-banks", insurance, factoring and leasing firms, are allowed into Mexico under the terms of the North America Free Trade Agreement, which opens up gradually Mexico's financial sector. Non-US and Canadian banks have to apply through their North American subsidiaries.

The finance ministry said it had received applications for 20 banks, 17 brokerages, 13 insurance companies, 17 non-banks, 12 leasing companies, and four factoring businesses,

among others, before the July 31 deadline. Officials said, barring unforeseen problems, all applications would be given authorisation, and should be operating by the end of the year.

The foreign groups will initially invest about 9,329bn pesos (\$2.74bn), and lend in the first year, 11,024bn pesos, according to the government.

In the brokerage sector, Goldman Sachs, Merrill Lynch, J.P. Morgan, Citibank, Chemical Bank, Morgan Stanley, Bankers Trust, Lehman Brothers, Deutsche Bank, Continental Bank, ING Capital Holdings, Indosuez, Santander, Swiss Bank, James Capel and Baring Brothers have applied.

Some, such as J.P. Morgan, Morgan Stanley, Citibank, Santander, ING, and Chemical Bank also applied for banks.

Posco trims year's target despite first-half advance

By John Burton in Seoul

Pohang Iron & Steel (Posco), South Korea's largest steel-maker, reported an 8.2 per cent increase in net profits to Won145bn (\$181m) for the first half of 1994.

It lowered its profit forecast for the year to Won351bn from Won348bn in the expectation of further foreign exchange losses on yen-denominated debt, which curbed earnings during the first half.

Posco, the world's second

largest steel company, had a 5.6 per cent rise in sales to Won3,630bn.

It expects sales of Won7,240bn for the full year. Increased demand from Korea's main industries helped maintain Posco's position as one of the world's most profitable steel companies.

Profits rose due to higher steel prices and the declining cost of raw materials. But earnings fell slightly below market expectations due to the foreign exchange losses resulting from the strong yen.

The securities of Ivory 4 (Cayman) Ltd. have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States or to United States persons absent registration or an applicable exemption from the registration requirements. All of these securities having been sold, this announcement appears as a matter of record only.

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Ivory 4 (Cayman) Ltd.

a special purpose corporation formed to invest in United States government securities and fixed income derivatives aggregating \$400 million

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April, 1994

Ivory 5 (Cayman) Ltd.

a special purpose corporation formed to invest in United States government securities and fixed income derivatives aggregating \$300 million

Nomura Securities International, Inc.

Structured the transaction and serves as Financial Manager to the Issuer

LORGB Investment Advisors, Inc.

Serves as Derivatives Manager

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May, 1994

Ivory 6 (Cayman) Ltd.

a special purpose corporation formed to invest in United States government securities and fixed income derivatives aggregating \$200 million

Nomura Securities International, Inc.

Structured the transaction and serves as Financial Manager to the Issuer

LORGB Investment Advisors, Inc.

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CAISSE FRANCAISE DE DEVELOPEMENT
US\$100,000,000 FLOATING RATE NOTES DUE 2003
Notice is hereby given that the Rate of Interest for the period August 4, 1994 to February 4, 1995 has been fixed at 5.125% and that the interest payable on the relevant Interest Payment Date February 4, 1995, against Coupon No. 4 in respect of US\$5,000,000 nominal of the Notes will be US\$1,324.40 and in respect of US\$100,000 nominal of the Notes will be US\$2,647.92.
August 4, 1994, London
By: Citibank, N.A. (Issuer Services), Agent Bank

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Medium-Term Notes, Series B
Floating Rate Notes Due February 4, 2003
In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from August 4, 1994 to February 4, 1995 the Notes will carry an interest rate of 5% per annum. The interest payable on the relevant interest payment date, February 4, 1995 will be U.S. \$25.83 per U.S. \$1,000 Note, U.S. \$258.33 per U.S. \$10,000 Note, U.S. \$2,583.33 per U.S. \$100,000 Note.
By: The Chase Manhattan Bank, N.A.
London, Agent Bank
August 4, 1994

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مكتبة الأمل

AEA Technology helped a pharmaceutical company reduce the size of its plant.

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Stanelco Products of Fareham is a small engineering company which provides furnaces for fibre-optics production.

We extended the life of the heating elements they use.

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In science and engineering, a problem in one area often has an impact on other areas.

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At AEA Technology, we have the resources to understand the whole problem and not just part of it.

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Nearly half our staff are science and engineering graduates.

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We wouldn't want to claim all the credit for the results we achieve.

We work in partnership with the companies which consult us.

The evidence is, though, that they have an advantage over companies which don't.

AEA Technology. Science and engineering at your service.



AEA Technology

You can only see the complete solution if you understand the whole problem.

COMPANY NEWS: UK

Expansion plan could treble number of stores over next few years
Wickes doubles to £8.76m

By Tim Burt

Wickes, the DIY and timber retailer, yesterday announced details of an ambitious expansion plan that could treble the size of its store portfolio over the next few years.

Encouraged by buoyant trading, which more than doubled half-year pre-tax profits from £4.1m to £8.76m, the group said it hoped to be operating 200 stores in the UK and 100 in continental Europe within five years.

Mr Henry Sweetbaum, chairman, said the group had launched nine new stores in the six months to June 30 and planned to open 10 more by the year-end - taking the total to 97.

He said the group had been persuaded to accelerate the pace of expansion by a sharp upturn in operating profits and an 11 per cent increase in like-for-like sales at its existing stores.

The pre-tax figures, however, were blunted by reduced interest payments of £1.82m (£5.23m), which fell sharply after the group used funds from last year's £5.1m rights issue to reduce net debts from



Henry Sweetbaum: we have outperformed our competitors

£72.9m to £16.3m - equivalent to gearing of 11 per cent.

At the operating level, profits rose from £1.0m to £12.5m on increased turnover of £355.2m (£294m).

"The recession has turned into a recovery and we have outperformed our competitors in the sector," said Mr Sweetbaum.

He also hailed an improved performance from Hunter Tim-

ber, which moved into the black for the first time in several years with an £800,000 profit.

Although Maiden Timber - the merchanting business - continued to operate at a loss following flat first quarter sales, Mr Sweetbaum predicted its losses would decline following a wide-ranging structural review.

Under the reorganisation, Wickes moved into the black for the first time in several years with an £800,000 profit.

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Equifax bid for UAPT challenged by Trans Union

By Simon Davies

UAPT-infobank, one of the UK's leading credit referencing companies, was yesterday caught in a bidding war between North America's two major credit assessment groups, with two consecutive offers for the group announced in one day.

Equifax had announced a 500p recommended offer on July 26, and its offer document was due today. It was preempted by a rival 500p bid yesterday from Trans Union, another North American credit information business.

Equifax responded by offering 600p. But despite UAPT board support for the 500p bid, the higher bid has not been recommended.

A spokesman for UAPT said it had explained its reasons to Equifax, and the board will today consider its response to the new bid.

The cash offers compare with a UAPT share price as low as 75p earlier this year, but reflect the value of UAPT's substantial consumer and business data base.

Equifax already has a similar share of the UK consumer credit reference market to UAPT's Infobank, but this is less-making. It would be able to reduce costs and increase customers through a link-up with UAPT.

Trans Union, which is a subsidiary of the Marmon Group and made an unannounced pre-tax profit of \$65m (£42m) in 1993, has no experience of the UK market. It is looking to retain UAPT as an independent business, providing a toe hold in Europe.

The assurance of independence is likely to appeal to UAPT's management, and the board unanimously recommended Trans Union's 500p offer, which values the company at £43m.

The board has also secured irrevocable indications of support from shareholders representing 12.1 per cent of its shares.

By comparison, the rationale behind the Equifax bid is to add value to the business through the merger of the two UK consumer credit businesses, which would inevitably mean job losses and substantial cost cutting.

UAPT has suffered a substantial loss of market share in its core consumer credit business in recent years, primarily to CGN Systems, a subsidiary of Great Universal Store which has built up an estimated 80 per cent market share.

Laird Group has, through Draftex Industries, its French subsidiary, acquired Godard and its sister company, SMC, for a total consideration - including borrowings - of FF32m (£2.9m).

The two businesses acquired are involved in the manufacture of metal hoses, and are used for the automotive industry.

In 1993 they had a combined turnover of FF120m. Draftex is a supplier of rubber hoses to the French automotive industry through its subsidiary, Sora-tech, which is based in Nantes.

Cookson Group has sold its UK colour compounding and masterbatch business, Colourfast Plastics, to Americhem Holdings International for £2.3m cash.

The disposal is the last stage in the group's exit from this activity.

In 1993 Colourfast incurred a small operating loss on turnover of £2.8m. Its net assets at disposal were about £2.3m.

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Low-down on Low bid
Appearances could be deceptive in Tesco's victory

By Andrew Bolger

At first sight it might appear that the takeover battle for William Low, the struggling Scottish food retailer, has been resolved with winners all round.

Shareholders in the Dundee-based group will receive £247m from Tesco, compared with the £154m which the retailer offered only 18 days earlier.

Tesco was still confident it would obtain a good return from the Wm Low stores - in spite of having been forced to increase its first bid by £93m.

Even J Sainsbury, which intervened with a £210m offer and thus forced Tesco to pay more, has laid to rest its reputation as the retailing giant which would never become involved in a hostile takeover battle.

But some hard questions remain. How could the board of Wm Low and its merchant bank advisers, Baring Brothers, have recommended the original bid as "fair and reasonable" since Tesco reckons it can still make money from the deal, even after increasing its offer by 60 per cent?

How could retailing analysts and the market have so undervalued Wm Low's shares, which in April touched 138p - 22p less than Tesco's latest offer of 360p?

Analysts to Wm Low said their hand had been forced by the rapid deterioration in the Dundee group's trading position this summer.

Sir Ian MacLaurin, chairman of Tesco, first approached Wm Low in April, and discussions resulted in a cash bid of 180p per share being mooted - a figure which was later increased to 200p. The Wm Low board checked with their store managers, heard that trading conditions were stabilising, and decided to sit tight.

But when Tesco returned in July, with a firm offer of 235p, trading had worsened markedly. Like-for-like sales, the life-blood of any retailer, were down 12 per cent since Sir Ian made his offer conditional on a recommendation by Wm Low.

The recommendation was not over-enthusiastic. Mr James Millar, chairman of the Scottish group, said merely that the Tesco offer represented "better value for shareholders than the value Wm Low could achieve as an independent retailer."

Mr Millar said the board had been "informed" by the harder retail food market and our lack of scale limit our prospects for profit growth over the next few years.

Barrings said that - given the deterioration in Wm Low's trading position, and Tesco's insistence on the bid being recommended - the only way to test whether more could be

obtained for shareholders was by making the offer public, and letting the market decide.

There was real concern that analysts would get wind of the drop in sales and start raising concerns about the group's dividend - pushing the shares even lower.

Analysts concede they made a mistake in focusing on Wm Low's poor profits performance, rather than the underlying value of its bricks and mortar to competitors. But few could have foreseen that Tesco and Sainsbury would be prepared bid against each other for the 57-store chain.

Tesco was confident that Sainsbury would not become involved in a contested bid - even although Wm Low warned Sir Ian in writing that it did not consider his £247m offer would necessarily be a knockout blow.

Perhaps the biggest winner is the empty-handed Sainsbury. It has shown the City it is prepared to become involved in a contested bid and stop a rival gaining market share on the cheap - but not pay over the odds.

A Sainsbury adviser said: "We know the value of the business and were not prepared to pay a penny more. If a rival has been forced to pay more for it, that's no bad thing."

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Members back merger of northern building societies

By Alison Smith and Chris Tighe

The planned merger between Northern Rock Building Society, the UK's 11th largest, and North of England Building Society, its smaller neighbour, has been approved overwhelmingly by members of both organisations.

The approvals - reflecting the consent of more than 90 per cent of members voting - mean that the merger is on course to go ahead on October 1.

While the percentages of approvals were impressive, the turnout figures were rather less so.

Only about 10 per cent of North of England's 330,000 or so potential voters were cast. And just 1 or 2 per cent of Northern Rock's 764,405 investing members and 186,917 borrowers took part.

Mr Chris Sharp, Northern Rock managing director, was unapologetic about the low proportion voting.

He said there was no reason to suppose that those who did not vote were unhappy with the merger plans.

Yesterday's special general meeting of Northern Rock - only the second since the society was formed in 1965 - offered a vivid illustration of how even a small amount of member participation can put society directors on the spot.

Though little more than a hundred members attended the meeting, this did not guarantee a trouble-free ride for Mr Robert Dickinson, chairman.

A series of waspish questions - delivered by apparently benign senior citizens - aired several prickly issues, including directors' pay and the bonus offered as part of the deal to North of England, but not Northern Rock members.

Silver-haired retired head teacher Miss Margaret Maxwell weighed in first. She had been a Northern Rock investor for 30 years, she said, while a friend had moved her account to the North of England.

"She who deserted the Northern Rock gets a bonus and I who have been a loyal member do not. I don't agree with that and I think it most unfair."

The year-end was changed from March 31 to end-December, for the nine months to December 31 the group incurred a loss of \$998,000 on turnover of \$478,000.

The group has undergone a radical restructuring in the past year, acquiring Cliford International, the lighter and aerosol group, for £10m and LGW, a soft company now trading as Cliford International, for \$5.5m.

The purchases were funded partly by a £10m rights issue, and Halkin said both were performing well.

The company said it was beginning an "international brand-building programme" to re-establish the Ronson name. Three new collections of lighters, pens and watches were being launched.

Cliford International has strengthened its product range, with airline listings up on the previous year, and the brewery has returned to profits.

Earnings per share were 2.46p, against losses of 17.2p. No interim dividend is declared, but the board said it intends to recommend a full-year distribution.

Under an agreement dated 1 July 1992 made between WPP Group plc ("WPP"), its lending syndicate ("lenders") and Bankers Trust Company (as agent), each of the lenders may at any time after 2 September 1994 sell any Ordinary shares arising on the conversion of the remainder of its holding of Cumulative Convertible Redeemable Preference Shares ("CCRPs").

However, as the first available date for sale (3 September 1994) falls on a Saturday, WPP has agreed to allow lenders to sell these Ordinary shares at any time on or after 1 September 1994.

WPP has received conversion notices in respect of 169,477,559 CCRPs which will convert into 190,192,862 Ordinary shares (26.5% of the enlarged issued Ordinary share capital on 31 August 1994). The remaining 12,170,206 CCRPs are convertible into 13,657,775 Ordinary shares upon 30 days notice.

This announcement appears as a matter of record only and is not an offer to sell or a solicitation to buy any of these securities.

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PowerGen buys back 2.5m shares

By Michael Smith

Shares in the electricity sector moved ahead strongly after PowerGen, the power generation company, said it had repurchased for cancellation 2.5m of its own equity.

The market welcomed PowerGen's purchase, which represents 0.3 per cent of the total shares in issue, on the grounds that it will boost earnings per share and is likely to lift dividend payments per share.

Shares in other companies in the sector were affected by the positive sentiment. All of them have taken power at recent annual general meetings to buy back shares.

PowerGen is only the second electricity company to do so, the other being Eastern Electricity.

PowerGen has shareholder approval to buy back 10 per cent of its equity. The company said yesterday it would consider further repurchases in the coming months as market circumstances permitted.

Analysts calculated that if it repurchased the full 10 per cent, earnings could be

increased by between 5 and 6.5 per cent within a year.

PowerGen has low gearing, with net debt at the end of last year at £22m and likely to fall this year unless the company spends significant amounts of money on acquisitions.

Some brokers saw yesterday's purchases, made at 527p, as a signal to the market that the company does not see opportunities for large acquisitions.

Others felt that it was a possible precursor for the company seeking an American Depository Receipt listing in

the US to enhance the marketability of its shares.

Yesterday's buybacks will please the Treasury since the possibility of further buybacks is likely to provide support for PowerGen's shares in the run-up to the government's sale of its remaining 40 per cent in the company, probably in October.

Shares in the regional electricity companies were also lifted yesterday, by hopes that the review of their distribution businesses by the industry regulatory body may be less severe than was previously feared.

COMPANY NEWS: UK

Ransomes shares rise 12p on sharp advance

By Caroline Southey

Shares in Ransomes rose 12p to 42p yesterday as strong US sales helped the manufacturer of grass-cutting equipment and specialist industrial trucks lift pre-tax profits from £1.2m to £8.7m in the half year ended July 2.

Turnover rose by 14 per cent to £102m (£98.7m). Ransomes also announced the departure of Mr Geoffrey Comer, the financial director. The company has undergone extensive management changes since the arrival of Mr John Clement as chairman in October 1993.

There is no ordinary interim dividend although the company will pay its April 1994 convertible preference dividend at the end of October. Steinhardt Partners, a US hedge fund manager which holds 30 per cent of Ransomes' preference shares, almost gained 15 per cent of votes in Ransomes' earlier this year

because of preference dividend payment arrears. Preference shareholders become enfranchised if arrears are not paid within six months of their due date.

The company has reduced its net borrowings to £72.5m (£65m) leaving it with gearing of 40 per cent.

Earnings per share emerged at 4.5p against losses of 4.4p. The boost in turnover came primarily from north America where sales rose from £24m to £43m. Total operating profits more than doubled from £5.4m to £11m, the largest contribution coming from the commercial sector with profits of £7.7m (£2.4m) on turnover of £68.1m (£56.5m).

Loss-making operations in France and Germany returned to profit. Mr Clement said the company had "exercised tighter control over cash with stocks and borrowings significantly improved". Existing stock had been reduced from £51.9m to £42.4m while more machines

were being sold straight off the production line.

He said a top tier of "expensive management" had been removed and the workforce worldwide had been cut by 12 per cent. No new staff had been recruited and sales per employee had increased from £45,000 to £59,000.

Operating margins improved to 10.8 per cent (6 per cent).

Mr Peter Wilson, chief executive, said the order book looked promising and future sales would be boosted by new products. The company's aim was to increase its penetration of the US fairways market where it had only 5-8 per cent of market share.

Mr Clement said the debt burden would be reduced partly by the sale of surplus land. Ransomes has 180 acres available for disposal, valued at £27.6m. In the balance sheet the company has reclassified surplus land and buildings in current assets as property for disposal.

Placing values AromaScan at £27m

By Tim Burt

AromaScan, the developer of an "electronic nose" - a new technology to detect odours - yesterday announced a placing price of 100p to raise £12m from its forthcoming flotation.

Although the placing was originally expected to value the company at about £35m, yesterday's pricing gave it a market capitalisation of £27m.

Mr Fred Worth, finance and operations director, said he was delighted with the value put on the company and described earlier estimates as an "inexact science". After expenses, the placing of 12m new ordinary shares will leave the company with £11.2m to invest in a new plant and develop industrial applications for the technology.

The electronic nose system, pioneered and developed at the University of Manchester Institute of Science and Technology (UMIST), relies on a large library of polymers to identify smells and produce digital print-outs.

Mr Worth said the company was negotiating joint venture arrangements with a number of international groups which are keen to exploit the technology in areas such as air management, purification systems and wound dressings.

Existing shareholders have agreed to retain their stakes for at least two years following the placing, handled by NM Rothschild with Peel Hunt acting as broker.

Meanwhile, Neotronics Technology - AromaScan's main rival - yesterday announced a new marketing initiative to promote its own electronic nose to potential joint venture partners and new clients.

The maker of gas analysis equipment said it was setting up a new subsidiary - Neotronics Scientific - which will develop and sell its equipment around the world.

Mr Stephen Collins, a former international marketing manager at Fisons, is to join the group later this month and will be targeting some 800 companies which have expressed an interest in the system.

Fairway ahead 30% to £1.39m

Fairway Group, the USM-quoted provider of print facilities and distributor of educational supplies, lifted pre-tax profits by 30 per cent in the half year to June 30, from £1.07m to £1.39m.

The advance was achieved on mixed results from its activities. Hickeys Trade Binery and Spectrum Marketing Services reported a 25 per cent and 50 per cent fall in pre-tax profits respectively.

Mr Gordon Waddell, chairman, said remedial action had already been taken at Hickeys. At SMS an "urgent reorganisation and computerisation of the business" together with the installation of a new press had caused disruption and pressure on margins.

Group turnover improved to £24.1m (£20.1m). The interim dividend is lifted from 1.1p to 1.3p, payable from earnings per share of 2.92p (2.5p).

Chamberlain issue price set at 165p

By Peggy Hollinger

Chamberlain Phipps, the shoe components and footwear manufacturer which is about to float on the stock market has been forced to rein in its ambitions by a cautious market.

The group said yesterday it would offer institutions and brokers shares at 165p, against expectations of between 230p and 240p.

The price values the group at £73.6m, compared with expectations in May of more than £90m. Mr Dan Sullivan, chairman, said the placing had been

substantially oversubscribed.

The issue will raise £37.7m, of which £8.8m will go to existing shareholders. Chamberlain will receive £27.2m net of expenses to reduce debt and buy out £5.4m of preference shares owned by Mr Sullivan and Legal & General Ventures.

Mr Sullivan, an American investor, formed the group in 1992 by acquiring the footwear materials businesses of Evode Group for £12m, with the backing of Legal & General Ventures.

Mr Sullivan said the company would not be affected by

the decision to come to the market at a sharply reduced price. Existing investors had decided to sell fewer shares, leaving the company with the planned amount of net proceeds. Dealings are expected to begin on August 15.

After the flotation, debt will represent some 65 per cent of shareholders' funds.

Mr Sullivan said Chamberlain would be seeking European acquisitions in the coming months.

Mr Sullivan is selling 1m of his 12.5m shares, leaving him with a 25 per cent stake. Legal

& General is selling only about half the number of shares originally envisaged and will retain a 21 per cent holding.

The group recorded operating profits of £11.6m on sales of £118.3m for the year to April 2. This compared with profits of £12.4m and sales of £186.9m for the previous 18 months.

The notional net dividend for the year was 7.3p. Historic earnings per share were 10.1p.

Of the 32.9m shares being placed with institutions, some 7.7m will be subject to claw-back for applications from brokers.

In the right shape to float with ease Gary Mead on the approach which achieved a coherent whole

Mr Dan Sullivan, chairman and architect of the modern-day Chamberlain Phipps, is unperturbed about the setback to his ambitions for the company's share price.

"We wanted to get the transaction completed and get back to business," in his eyes, the setback is only temporary.

US-born Mr Sullivan seems to have the experience to take a long-term view. He boasts a track record of more than 30 buy-ins and flotations, including Tyco Toys.

From his strategic level, Chamberlain Phipps seems another success story: "I look for companies that need something correcting other than just capital. Then I feel I can buy them at a reasonable price because they won't be as attractive to other people who aren't set up to work on the management issues, people who are looking merely to be financial investors."

Mr Sullivan came to Chamberlain in 1992, when his parent Evode had run into difficulties and was looking to make disposals. After having paid £88m for the then-owned business in 1989, Evode sold the shoe components division to Mr Sullivan and Legal & General Ventures for just £11.9m. Evode retained Chamberlain's adhesives and related businesses.

The tasks facing the new owners were vast and Chamberlain Phipps' problems were long-standing. Founded in 1912, it had



Dan Sullivan: planning more bolt-on purchases

computerised, and now contributes pre-tax annual profits of £100,000, against costs before acquisition of £600,000.

Loss-making product lines were closed, and a decentralised sales force now has to deal with just 25 core lines. The workforce has shrunk by a net 20 per cent (to about 1,000 in total), with those remaining on the shop floor trained in three different skills. Each individual plant manager has also become a profit centre manager.

The "rag-bag" of 10 UK companies has been scaled down to three core divisions: components, polymers, and vinyls. Operating margins for the UK group have improved from 5.2 per cent pre-Sullivan to 8.4 per cent now. Productivity has increased by 10 per cent, and shopfloor pay packets are on average 10 per cent fatter.

The company is also expanding internationally, via the recent acquisitions of French footwear companies. Mr Sullivan is planning more bolt-on purchases and is confident that he can do so without shareholders' help for at least a year or so.

His strategy on acquisitions is unlikely to change. "Companies with problems like Chamberlain Phipps don't respond to massaging of a consultancy nature," says Mr Sullivan. "They need to be refocused. It's not just about cutting costs, but re-orienting the company in the changed market-place in which it finds itself."

CRT to acquire Systems Resources for £6.35m

By Peter Franklin

CRT, the recruitment and training group, yesterday announced it was to expand its information technology recruitment business with the acquisition of Systems Resources.

The consideration, excluding fees and expenses, is £6.35m. Of this, £1.5m will be satisfied by the allotment to the vendors of 1.52m ordinary shares in CRT, the issue of £2.85m of guaranteed unsecured loan notes, with the balance of £2.4m in cash.

CRT also announced it was to raise £9.5m net of expenses via an issue of 11.9m new ordinary shares on a 2-for-9 basis at 85p apiece. The rights issue has been fully underwritten by SG Warburg Securities which, together with James Capel, will act as broker.

Some £4.85m of the funds raised will be used to finance the cash and loan note element of the acquisition. The balance will fund the integration and working capital require-

ments of the enlarged business.

Systems Resources made £65,000 (£175,000) pre-tax on turnover of £13.3m (£10.1m) in the year to September 30 1993.

The announcement came as the company reported its results for the year to April 30.

On turnover up from £47m to £47.4m, which included £4.39m (£11.8m) from discontinued operations, pre-tax profits fell from £3.3m to £552,000.

However, stripping out losses and closure costs of discontinued activities, continuing operations showed a 25 per cent advance from £3.3m to £4.9m.

The group has withdrawn from its consultancy activities and repositioned Pitman Training by replacing the traditional college-based activities with new training centres.

Losses per share emerged at 0.13p (4.2p earnings). A recommended final dividend of 2.5p makes 3.25p (2.6p) for the year. The shares closed down 4p to 101p.

Blue Circle sells New World for £5.5m

By Richard Gourley

Blue Circle Industries, the UK's largest cement company, has sold its cement-making New World Domestic Appliances subsidiary to a management buy-in team for £5.5m.

The maker of gas cookers and ovens was part of Birmid Quilcast, which Blue Circle bought in a hostile £300m bid in 1988.

The Warrington-based company incurred a £2.2m operat-

ing loss in 1993 on sales of £38.5m.

Blue Circle will incur a write-off on the value of New World's net assets of £8.7m. The total write-off in the accounts to June 1994, after recognising £35.1m of goodwill written off against reserves at acquisition, will therefore be £43.8m.

Murray Johnstone Private Equity Limited, the venture capital group, funded the £5.5m equity portion of the manage-

ment buy-in and Nat West Acquisition Finance is providing £3m of senior debt.

The buy-in is being led by Mr Mike Hassall, and the new company will be chaired by Mr Geoff Samson, former chief executive of Vale & Valor and chairman of Hunterprint, the struggling specialist printer.

Blue Circle said the sale was consistent with its strategy to concentrate on heavy building materials, heating and bathrooms.

Blagg to cut debt with rights issue

Blagg, the building suppliers merchant, is to reduce borrowings with a 1-for-1 rights issue to raise about £318,000.

The issue is of 15.9m new ordinary 2p shares at par.

The USM-quoted group also announced a substantial fall in pre-tax profit from £1.5m to £8,000 for the six months to April 30. The fall, on turnover down from £1.31m to £1.25m, was because of an exceptional credit of £1.49m the previous year, arising from group restructuring.

Earnings per share were 0.01p (0.47p), excluding exceptional, the previous year's figure was 0.1p.

Chemring makes £4.8m offer for Kembrey

By Katrina Lowe

Chemring, the maker of anti-missile chaff, distress rockets and waterproof clothes, has made a recommended offer for Kembrey valuing the group at £4.8m or 17.6p per share.

Irrevocable undertakings have been received by directors of Kembrey, representing about 27.5 per cent of the share capital.

As a consequence of its acquisition policy and through developing core activities, Chemring's indebtedness at July 15 1994 stood at some £4.4m. Consequently it plans to

raise about £5.4m before expenses, via a placing of 1.97m new ordinary shares at 27.2p each, subject to a 1-for-10 open offer to shareholders.

Chemring yesterday also forecast that it would pay a final dividend of 6.56p for the year to September 30, making a total of 9.8p (9p).

Kembrey is principally engaged in the manufacture of marine survivor location products, as well as consumable refractory materials and precision components.

Kembrey shares added 4p to 16p. Chemring shares were unchanged at 299p.

BCE turns in £0.8m deficit

BCE Holdings, the USM-traded distributor of snooker and pool products and amusement arcade operator, reported a deficit of £796,000 before and after tax for the 12 months to March 31.

The outcome, on turnover of £3.73m, took in exceptional charges totalling £203,000, largely comprising a capital loss on the disposal of four amusement arcades in the Bristol area last December.

The group also made stock provisions of £200,000 relating to existing businesses. Mr John Roberts, appointed chairman towards the end of last year, stressed that the figures were not comparable with the previous year when losses amounted to £56,000 on turnover of £4.27m.

The group is seeking a third leg to its activities. "We have identified computer games software development and publishing as a high growth sector where there are attractive

Wye field shows 28% advance to £131,000

Pre-tax profits at Wye field Group, the home furnishings manufacturer, rose 28 per cent to £131,000 for the six months to end-June, despite a poor second quarter.

Turnover at the USM-quoted company, which changed its name from Lincoln House after the £2.2m purchase earlier this month of Medallion Upholstery, rose 6 per cent to £4.42m.

Mr David Harland, chairman, said the difficulties in the second quarter were largely due to moving the manufacturing base to a modern factory and installing computerised cost analysis systems. Operating profit was cut from £200,000 to £134,000.

Earnings per share were 0.5p (0.6p).

Net asset value dips at Law Debenture

Law Debenture, the investment trust and corporate trustee, reported a net asset value of 588.8p as at June 30.

The value represented a decline of 10.3 per cent since the company's year-end; the benchmark FT-SE-A All-Share index fell 13 per cent during the same period.

After the preference dividend, attributable revenue for the six months, amounted to £2.77m (£2.77m), equivalent to earnings of 10.47p (9.99p) per share. The interim dividend goes up by 0.25p to 6.75p.

Explaura reduces losses to £2.18m

Explaura Holdings, the USM-quoted operator of a limestone quarry in Canada, reduced its pre- and post-tax losses from £2.37m to £2.18m in the year to December 31.

The previous outcome took in an exceptional charge of £774,000. Turnover improved to £1.85m (£1.56m). Losses per share were cut from 1.61p to 1.16p.

£5.26m acquisition for Dawsonsgroup

Dawsonsgroup, the commercial vehicle rental company, has acquired Morgan Varylease from Jamont UK for £5.33m cash together with repayment of £1.33m of intragroup debt.

Pre-tax profits of Morgan Varylease (before finance charges related to intragroup debt) for the year to end-December amounted to £689,000 and its net assets at that date were £2.78m.

Beta Global net asset value at 172.5p

Beta Global Emerging Markets Investment Trust had a net asset value of 172.5p per share at June 30, a fall of 18 per cent since end-December.

On a year-on-year basis, however, the value showed an increase of 31 per cent. Losses after tax widened to £623,000 (£597,000) during the six months, for losses of 0.2p (0.3p) per share.

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Warnford Investments PLC

Highlights from the Chairman's Review, 1993

- Gross income amounted to £11.39 million.
- Dividend for the year 7.75p (1992 7.50p).
- Total reserves of the Group amount to £108 million.
- Group properties have fairly high occupancy levels.
- Improvement expected in 1995.

G. Rose Goobey, Chairman, Salisbury House, London Wall, London EC2M 2NU.

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FINANCIAL TIMES CITYLINE INTERNATIONAL

COMMODITIES AND AGRICULTURE

Gold price falls for fifth day in succession

By Kenneth Gooding, Mining Correspondent

Gold prices yesterday fell for the fifth successive day and analysts suggested they might have further to fall before staging a recovery in the final quarter of 1994.

The precious metal tested a critical technical support level - \$378 a troy ounce - but remained just above it at the close in London at \$378.70, down \$1.75 from Tuesday's close. Gold has slipped by \$2.70 an ounce or 2.5 per cent in the past week.

Mr George Milling-Stanley, analyst at London Brokers in New York, suggested the usual northern hemisphere summer "dull" was causing gold's downward drift. He said gold was likely to remain under pressure for the rest of August and might fall another \$4 or \$5 an ounce. Nevertheless, for the fourth quarter he forecast gold would trade between \$370 and

\$405 an ounce, compared with an average price of \$383 for the first nine months of this year. He said some pressure on gold was coming from dislocated US hedge funds, which had expected the metal to go to \$400 an ounce. Now they were selling and putting their money elsewhere.

Mr Andy Smith, analyst at the Union Bank of Switzerland, pointed out that gold's \$5 fall so far this week contrasted with the "trading" of recent weeks when the price was often seen trapped in a \$2 range.

He said that there had been a good deal of selling by producers recently, which had been soaked up by some physical demand. And, while speculative funds had helped to drive down the gold price this week, there was another element at work in the market that was hard to identify. "Something subtle is going on. It is hard to say what," he added.

PNG gold mine stays closed after explosions

By Nikkai Tait in Sydney

The 11 people missing following major explosions at the large Porgera gold mine, in Papua New Guinea's remote Enga province, were yesterday presumed dead.

All were employees of Dyno Westfarms, which operates the explosive facility close to the mine site, where the blasts occurred on Tuesday morning. Five were Australian and the remainder were PNG nationals.

The Porgera mine remained closed and all its milling operations suspended yesterday while damage assessment continued. No date has yet been given for the reopening. The four joint venture partners in the mine - Placer Pacific, Renison Goldfields, Highlands Gold, and the PNG government - said there had been "surface damage to sheeting and building claddings of support infrastructure. They added that some accommodation and messing facilities were also damaged."

More information on when operations might restart may be released this morning. Porgera is one of the world's largest gold mines, with annual production of over 1m ounces.

It is also a major source of the revenue for the Papua New Guinea government. "All I want to say as a government is that we are concerned because it's a major project that is of a lot of benefit to PNG," commented Mr Palas Wingti, PNG's prime minister, yesterday.

News of the explosion and the mine's closure affected share prices of all three corporate partners. Renison's dropped by 15 cents in early trading to \$4.45 while Highlands' fell to \$1.45. Those of Placer Pacific, which manages the mine, suffered worst with a 20 cent drop to \$25.25.

Diplomatic offensive planned to end banana war

Canute James reports on the latest Caribbean move in the dispute over EU imports

One year after the European Union imposed its new banana import regime, its traditional suppliers are to launch a diplomatic offensive aimed at ending continuing criticism from some EU members and Latin American fruit producers who feel the arrangement is unfair.

Caribbean leaders plan to visit Europe later this year to argue for their banana, and will ask friendly Latin American countries to suggest to others that they moderate their criticism of the import regime.

Caribbean leaders meeting in Barbados last month agreed that there was still a threat to the banana regime, and that although some Latin American countries had mended fences with the European Union, the market for fruit from the Caribbean and Central America, and the Pacific group was still in danger from continuing attempts to increase the access for cheaper Latin American "dollar" bananas.

The EU import regime, which became effective in July of last year, allows the union's traditional suppliers in the

ACP group access for 30 per cent of Europe's demand for bananas. Imports from Latin America are limited and attract import duties.

ACP producers, mainly those in the Caribbean, have argued that their industry, on which some national economies depend, would be devastated if they were denied these preferences. Latin American producers, who are more price competitive, have countered that the import regime contravenes the spirit of free trade.

The region's fears were fuelled by the recent decision of Germany to approach the European Court for a second time to try to end the EU's banana import quotas. Germany has consistently argued that the system is unfair and discriminatory against Central American, Caribbean and Pacific producers.

The EU's import regime has also been challenged in the General Agreement on Tariffs

and Trade, with a panel determining that it is discriminatory. The panel's report, however, has not been adopted, and the Caribbean producers are keen that it should not be. The Caribbean leaders' conclusion that there is a need for increased efforts to resolve the matter was influenced by what they saw as "continuing pressure" by some Latin American countries to increase their access to the EU market. Such as the US, Mexico, Canada, Japan and Australia to have the second panel report adopted.

A key part of the planned diplomatic battle is to get these countries to relent in their pressure to have the Gatt panel's findings adopted. The ACP producers will also try to enlist the support of "friendly" countries such as the US, Mexico, Canada, Japan and Australia in persuading other Latin American countries to seek a negotiated solution with the EU.

The ACP producers have been buoyed, none the less, by compromises reached between the EU and four Latin American countries - Costa Rica, Colombia, Nicaragua and

Venezuela - "and the confirmation to maintain the overall quota limit and allocations by the EU with reductions of the in-quota duty from Ecu100 (\$78.60) to Ecu75 a tonne and the advanced application from 1994 to 1995," the Caribbean leaders said after their meeting.

In March, Costa Rica, Colombia, Nicaragua and Venezuela accepted the EU's increased quota offer, and agreed to drop their complaint to the Gatt over the import regime.

Under the agreement, the EU will increase the annual quota for Latin American bananas from 2m tonnes to 2.1m tonnes this year, and to 2.2m tonnes next year. Costa Rica's quota is 23.4 per cent, Colombia's 21 per cent, Nicaragua's 3 per cent and Venezuela's 2 per cent. Ecuador, Guatemala, Honduras and Panama will share 46.3 per cent, with the Dominican Republic getting the remaining 4.3 per cent.

The mission led by the prime ministers, which is expected to visit Europe in late September and early October, will seek discussions with the states of the Troika (France, Germany

and Greece) and the United Kingdom, the president of the Commission and the president of the European parliament, the Caribbean leaders agreed.

One technical issue that the Caribbean leaders will want clarified when they visit Europe is the transfer of quotas among ACP exporters. Countries with higher than normal production have not been able to use the quota for others who may have suffered a shortfall.

"Transferability of quotas has been allowed for the Latin producers and the ACP has had undertakings that this will be done for them," says an official of the Caribbean Community secretariat. "We would like to see this implemented."

They will also raise the delicate matter of financial assistance to banana producers affected by the imposition of the EU's import regime. The UK originally objected to this aspect of the plan, which proposes a fund of Ecu60m a year over three years to cover loss of income and to aid agricultural diversification. But it subsequently withdrew its objection.

MARKET REPORT

Coffee futures see-saw

COFFEE traders at the London Commodity Exchange said supply worries and a Brazilian meteorology institute forecast of frost today in Parana state helped keep sellers mostly away, on a day when futures see-sawed in a \$30 range.

The November delivery position ended the day \$18 lower at \$3,555 a tonne after reaching a high of \$3,625 and touching a low of \$3,533.

COCOA futures slid in late trade on a wave of speculative selling encouraged by technical factors. The December position ended \$24 down at \$2,072 a tonne.

London Metal Exchange contracts were generally lower at the close, as a wide-ranging and volatile COMEX market

continued to pull the strings. The three months copper price almost hit both ends of the current \$60 trading range, before closing at \$4,415 a tonne, \$5 below Tuesday's high close.

ALUMINIUM was a partial exception to the general trend, as late speculative buying lifted the three months price to a close of \$1,472 a tonne, up \$3 on the day. However, the market mostly reacted to copper's movements, and was still some way off hitting a \$1,485 upside target, traders said.

LEAD rallied slightly from mid-afternoon lows, but concluded earlier after hitting a conclusively below \$600 a tonne when stop-loss selling orders were triggered. Completed from Reuters

Kenyan tea output down by 20%

Output of Kenyan tea, the country's main commodity export, fell by about a fifth in the first half of 1994 compared with the same period in the previous year, a leading brokerage firm said yesterday, reports Reuters from Nairobi.

African Tea Brokers said the crop figure for June was posted at 16.12m kg, a decline of 22.76m kg from June 1993. "The cumulative figure now stands at 91.58m kg, a fall of 21.58m kg over last year," ATB said. The firm is based in Mombasa, where east Africa's weekly tea export auctions are held.

Temperatures in Kenya's tea growing areas had been low with intermittent rain, farmers in growing areas said. Growth had been restricted and crop levels were generally at a

seasonal low. "West of the Rift [Valley], Kericho has been cold and fairly dry apart from some rain towards the end of July. Leaf intake has shown a slight decline," said one farmer at Kericho, a key growing belt 300 km north-west of Nairobi.

"In Nandi conditions remain wet with cold early morning temperatures. Slight hail has had no effect on crops with levels now rising," he added.

"Areas east of the Rift have experienced cold mornings with sunny intervals in the afternoons and well distributed showers. Crop intake is maintained."

Britain and Pakistan were the main buyers of Kenyan tea in June, while Egypt bought lower grades. Sudan, North America and South Africa also

increased their buying, ATB said. The firm said there was continued good demand for all Malawian primary grades, with prices firm to dealer.

"Night temperatures were cold with rainfalls of early morning fog and leaf intake continued to decline," ATB said. Malawi produced 27.18m kg of tea in the January-June period of 1994 compared with 26.73m kg in same period a year earlier.

ATB put Uganda's tea output in January-March at 2.7m kg, up from 2.5m kg the first three months of 1993, and Tanzania's at 7.1m kg, unchanged from January-March last year. In Zimbabwe 6.7m kg was produced in the first three months, compared with 5.3m kg last year, the firm said.

Togolese cocoa growers get big price increase

Togo has increased its producer price for top grade cocoa to CFA Fr550 (\$1.02) a kilogram from CFA Fr500, an 88 per cent rise, according to a government decree published in the official daily Togo-Presse, reports Reuters from Lomé.

Lower grade cocoa would be bought at a substantial discount, Tuesday's edition of the paper added. Farmers would be paid only CFA Fr175 a kilogram for grade one cocoa and CFA Fr150 for grade two, it said.

The former price was raised to CFA Fr500 a kilogram from CFA Fr225 soon after last January's 50 per cent devaluation of the CFA franc. The latest rise for superior

grade cocoa was in response to the sharp increase in the cost of living since then, the paper said.

Analysts said Togo's annual [apparent] cocoa output had fallen to about 4,000 tonnes from over 10,000 tonnes in the late 1980s, mainly because less was being smuggled in from Ghana.

The decree said the 1993-94 Togolese cocoa marketing season would close on September 30. At the London Commodity Exchange yesterday the second position cocoa futures price closed at \$2,072 a tonne, equivalent to about \$1.64 a kilogram, up about \$140 since the beginning of this year and \$300 from 12 months ago.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Antismelted Metal Trading)

ALUMINIUM, 99.5% PURETY (5000 lbs)

Close 1435-5 1435-4

Previous 1441.5-2.5 1470-1

High/Low 1442-2.5 1470-1

AM Official 1442-2.5 1470-1

Kerb close 1474-5

Open Int. 286,670

Total daily turnover 30,590

ALUMINIUM ALLOY (5000 lbs)

Close 1455-5 1451-3

Previous 1455-5 1450-50

High/Low 1455-5 1450-50

AM Official 1455-5 1450-50

Kerb close 1450-50

Open Int. 2,851

Total daily turnover 871

LEAD (5000 lbs)

Close 575-7 585-4

Previous 582-3 585-4

High/Low 582-3 585-4

AM Official 582-3 585-4

Kerb close 585-4

Open Int. 8,004

Total daily turnover 9,804

NICKEL (5000 lbs)

Close 6050-70 6150-50

Previous 6100-70 6150-50

High/Low 6100-70 6150-50

AM Official 6100-70 6150-50

Kerb close 6150-50

Open Int. 87,457

Total daily turnover 10,543

TIN (5000 lbs)

Close 5005-10 5090-85

Previous 5110-20 5215-50

High/Low 5110-20 5215-50

AM Official 5110-20 5215-50

Kerb close 5075-90

Open Int. 18,519

Total daily turnover 10,543

ZINC (5000 lbs)

Close 537.5-5.5 550-1

Previous 544-5 550-1

High/Low 544-5 550-1

AM Official 544-5 550-1

Kerb close 550-1

Open Int. 103,516

Total daily turnover 14,588

COPPER, grade A (5000 lbs)

Close 2413-4 2413-4

Previous 2407-8 2413-4

High/Low 2407-8 2413-4

AM Official 2407-8 2413-4

Kerb close 2413-4

Open Int. 24,255

Total daily turnover 24,255

LME ALUMINUM 5% S/R 1.5380

LME CLOSING 5% S/R 1.5380

Spot 1.5385 3 mths 1.5370 6 mths 1.5344 9 mths 1.5304

LME HIGH GRADE COPPER (COMEX)

Close 337.5-5.5 350-1

Previous 344-5 350-1

High/Low 344-5 350-1

AM Official 344-5 350-1

Kerb close 350-1

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LME HIGH GRADE COPPER (COMEX)

Close 337.5-5.5 350-1

Previous 344-5 350-1

INVESTMENT TRUSTS - Contd

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AUTHORISED UNIT TRUSTS

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Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lauro S&S

INITIAL CHARGE: Charge made on sale of units. Used to offset marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

TERMINATION CHARGE: Also called 'break fees'. The price of units sold are bought by investors.

BID PRICE: Also called redemption price. The price of units sold are made by investors.

CANCELLATION PRICE: The relationship between the bid price and the offer price between the offer and bid prices is determined by a cancellation charge. This charge is used in practice, most often first redemption price is much less than the bid price. The cancellation charge often shows the cancellation price. However, the cancellation charge is not always the same for the managers of any fund, usually it varies with the size of the order and the time of sale of the units over a long period.

TIME: The time shown displays the fund manager's view of the market. The fund's valuation price shows another time - calculated to the nearest second. The time shown is the valuation price. The valuation price is calculated to the nearest second (V) - 0001 to 0009. The valuation price is calculated to the nearest second (V) - 0001 to 0009. The valuation price is calculated to the nearest second (V) - 0001 to 0009.

HISTORICAL PRICING: The letter H denotes the historical pricing. This pricing is used on the recent report and the current pricing. The historical pricing is used on the recent report and the current pricing. The historical pricing is used on the recent report and the current pricing.

FORWARD PRICING: The letter F denotes the forward pricing. This pricing is used on the recent report and the current pricing. The forward pricing is used on the recent report and the current pricing. The forward pricing is used on the recent report and the current pricing.

SCHEME PARTICULARS AND REPORTS: The most recent report and the current pricing is used on the recent report and the current pricing. The current pricing is used on the recent report and the current pricing. The current pricing is used on the recent report and the current pricing.

Other: The history notes are contained in the last column of the 77 column table.

Key to Abbreviations and Unit Trust Regulatory Commission:

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MARKETS REPORT

Lira gains on D-Mark

The strengthening Lira yesterday breached the L1,000 level against the D-Mark as fears of political instability receded, writes Philip Gault.

Although the conflict of interest arising from prime minister Silvio Berlusconi's interest in the Fininvest media group remains unresolved, the market appears to have been comforted by his public address on Tuesday.

The pledge by Mr Umberto Bossi, the Northern League leader, that he would not bring down the government, also bolstered sentiment.

The lira closed in London at L988.8 from L1,003 on Tuesday. Elsewhere in Europe the peseta slipped slightly to Pta102.1 against the D-Mark, from Pta101.8, after the Bank of Spain cut its key money rate by 15 basis points to 7.35 per cent.

Amid generally quiet trading conditions on the foreign exchanges, the dollar continued its firmer showing against the yen, again finishing above Y100 in London. It closed at Y100.175 from Y100.415.

The pound was little affected by the Bank of England's latest inflation report. The trade weighted sterling index was unchanged at 79.3, with the pound closing at DM2.4317 against the D-Mark from DM2.4346.

The Australian dollar came under pressure after it became clear that a near term increase in interest rates was unlikely. It closed at \$0.733 from \$0.7357, but remains above its 1994 upper trading range of \$0.73.

It looks possible that the worst may be over for the lira in the short term with both houses of parliament due to go on holiday at the weekend.

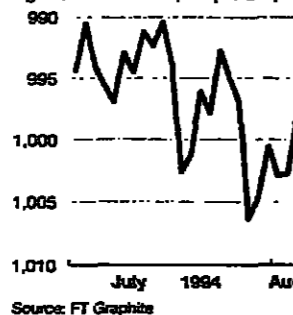
Mr Giorgio Radadelli, international economist at Lehman Brothers in London, said the August-September period should be a better one for Italian assets.

"The absence of potential political setbacks improves the chances of lira assets doing well because the fundamentals are very good by pan-European standards."

Recent history, said Mr Radadelli, shows that the third quarter of the year tends to be

Lira

Against the D-Mark (Lira per DM)



Source: FT Graphicals

Pound in New York

	Aug 3	Latest	Prev. close
£100	1.5388	1.5388	1.5388
100	1.5388	1.5388	1.5388
1	1.5388	1.5388	1.5388

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growth, with scattered signs of

growth slowing.

Mr Chris Turner, currency strategist at BZW, said one factor accounting for renewed dollar strength was changes in hedging ratios. For those Japanese investors who felt that the dollar might have bottomed out, it made sense to unwind hedging positions taken out as a precaution against a rising yen.

In the period August-December 1993, the yen fell by about 14 per cent against the dollar, despite no big changes in the trade surplus or capital flows. Changes in hedging strategies lay behind this move.

UK money market rates maintained their steady tone with three month LIBOR trading again at 5 1/2 per cent. Although interest rate sentiment is more positive than at the end of last week, the market remains nervous.

This was encouraged by the slightly bearish tone of media coverage of the Bank's quarterly inflation report. Although many analysts found the report encouraging, most newspaper headlines predicted that rates would rise within the next few months.

A further hint that no rate rise is imminent came with the Bank's announcement that the interest rate on two and five week repo and secured loan facilities, commencing today, would be unchanged at 5 1/2 per cent. The total amount to be provided to the market will be £3.682bn.

In its daily operations the Bank provided late assistance of about £455m. Earlier it had provided £66m assistance at established rates, compared to a forecast £50m shortage.

Short sterling futures traded reasonable volumes, but price movements were fairly small. The December contract traded at 93.43. Overnight money traded in the 4 1/2-7 per cent range.

■ OTHER CURRENCIES
Hungary 193.96-193.96 101.50-101.50
Brazil 269.00-269.00 174.00-174.00
Rank 6.08-6.08 6.08-6.08
Poland 302.61-302.61 227.00-227.00
Russia 317.19-317.19 200.00-200.00
UAE 5.861-5.861 3.875-3.875

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kroner per 100; Belgian Franc, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (DM) DM 125,000 per DM

Open Settle Change High Low Est. vol. Open Int.

Sep 0.8310 0.8304 -0.0006 0.8318 0.8295 33,440 86,220

Dec 0.8303 0.8292 -0.0011 0.8312 0.8289 179 4,481

Mar 0.8294 0.8283 -0.0011 0.8304 0.8280 8 1,098

JAPANESE YEN FUTURES (Yen) Yen 12.5 per Yen 100

Open Settle Change High Low Est. vol. Open Int.

Sep 0.9992 0.9970 -0.0022 1.0009 0.9955 29,157 66,332

Dec 1.0040 1.0043 -0.0017 1.0057 1.0036 543 5,203

Mar 1.0115 1.0115 - 1.0115 1.0115 33 989

STERLING FUTURES (GBP) GBP 500,000 per £

Open Settle Change High Low Est. vol. Open Int.

Sep 1.5340 1.5348 -0.0008 1.5380 1.5340 7,330 30,586

Dec 1.5390 1.5390 - 1.5390 1.5390 47 790

Mar 1.5390 1.5390 - 1.5390 1.5390 1 162

THREE MONTH EURO DOLLAR FUTURES (LIBF) DM1m points of 100%

Open Settle Change High Low Est. vol. Open Int.

Sep 95.15 95.15 - 95.15 95.13 14855 18,017

Dec 95.10 95.08 -0.02 95.10 95.07 25,183 17,509

Mar 94.80 94.80 - 94.80 94.78 34,168 1,789

Jun 94.62 94.64 -0.01 94.68 94.61 5443 9,338

THREE MONTH EURO DOLLAR INTRATE FUTURES (LIBF) £1m points of 100%

Open Settle Change High Low Est. vol. Open Int.

Sep 91.20 91.32 -0.12 91.36 91.20 4,965 30,195

Dec 90.90 90.97 -0.07 91.04 90.88 3,273 4,907

Mar 90.50 90.50 - 90.50 90.48 889 1,816

Jun 90.10 90.14 -0.04 90.14 90.10 88 1,187

THREE MONTH EURO DOLLAR INTRATE FUTURES (LIBF) \$1m points of 100%

Open Settle Change High Low Est. vol. Open Int.

Sep 95.08 95.10 -0.02 95.12 95.08 2,480 2,414

Dec 95.06 95.08 -0.02 95.10 95.06 4,380 2,872

Mar 95.05 95.05 - 95.05 95.05 287 1,091

Jun 95.10 95.10 - 95.10 95.10 88 2,554

THREE MONTH EURO DOLLAR INTRATE FUTURES (LIBF) £1m points of 100%

Open Settle Change High Low Est. vol. Open Int.

Sep 93.85 94.00 -0.05 94.00 93.85 925 1,071

Dec 93.77 93.80 -0.03 93.81 93.78 598 7,882

Mar 93.85 93.88 -0.03 93.88 93.85 220 4,991

Jun 93.85 93.89 -0.04 93.89 93.85 55 1,187

THREE MONTH EURO DOLLAR INTRATE FUTURES (LIBF) £1m points of 100%

Open Settle Change High Low Est. vol. Open Int.

Sep 94.94 94.91 -0.03 94.94 94.90 88,591 428,588

Dec 94.28 94.28 - 94.28 94.25 19,070 455,389

Mar 94.08 94.03 -0.05 94.08 94.01 75,732 331,181

US TREASURY BILL FUTURES (TBF) \$1m per 100%

Open Settle Change High Low Est. vol. Open Int.

Sep 95.98 95.96 -0.02 95.98 95.95 2,207 18,412

Dec 94.84 94.82 -0.02 94.84 94.81 545 1,427

Mar 94.55 94.55 - 94.55 94.53 435 2,442

EURO CURRENCY INTEREST RATES

Aug 3

Short term

7 days

One month

Three months

Six months

One year

Two years

Three years

Four years

Five years

Six years

Seven years

Eight years

Nine years

Ten years

Eleven years

Twelve years

Thirteen years

Fourteen years

Fifteen years

Sixteen years

Seventeen years

Eighteen years

Nineteen years

Twenty years

Twenty one years

Twenty two years

Twenty three years

Twenty four years

Twenty five years

Twenty six years

Twenty seven years

Twenty eight years

Twenty nine years

Thirty years

Thirty one years

Thirty two years

Thirty three years

Thirty four years

Thirty five years

Thirty six years

Thirty seven years

Thirty eight years

Thirty nine years

Forty years

Forty one years

Forty two years

Forty three years

Forty four years

Forty five years

Forty six years

Forty seven years

Forty eight years

Forty nine years

Fifty years

Fifty one years

Fifty two years

Fifty three years

Fifty four years

Fifty five years

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the 1990s, the number of people in the world who are illiterate has increased from 750 million to 850 million. The number of illiterate people in the world is projected to increase to 900 million by the year 2015. The number of illiterate people in the world is projected to increase to 950 million by the year 2020. The number of illiterate people in the world is projected to increase to 1 billion by the year 2025. The number of illiterate people in the world is projected to increase to 1.1 billion by the year 2030. The number of illiterate people in the world is projected to increase to 1.2 billion by the year 2035. The number of illiterate people in the world is projected to increase to 1.3 billion by the year 2040. The number of illiterate people in the world is projected to increase to 1.4 billion by the year 2045. The number of illiterate people in the world is projected to increase to 1.5 billion by the year 2050. The number of illiterate people in the world is projected to increase to 1.6 billion by the year 2055. The number of illiterate people in the world is projected to increase to 1.7 billion by the year 2060. The number of illiterate people in the world is projected to increase to 1.8 billion by the year 2065. The number of illiterate people in the world is projected to increase to 1.9 billion by the year 2070. The number of illiterate people in the world is projected to increase to 2 billion by the year 2075. The number of illiterate people in the world is projected to increase to 2.1 billion by the year 2080. The number of illiterate people in the world is projected to increase to 2.2 billion by the year 2085. The number of illiterate people in the world is projected to increase to 2.3 billion by the year 2090. The number of illiterate people in the world is projected to increase to 2.4 billion by the year 2095. The number of illiterate people in the world is projected to increase to 2.5 billion by the year 2100.

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

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